

Office of the State Auditor

Fifth Semi-Annual Report

January - June 1989

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The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

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Office of the State Auditor
A. Joseph DeNucci, Auditor

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November 1989

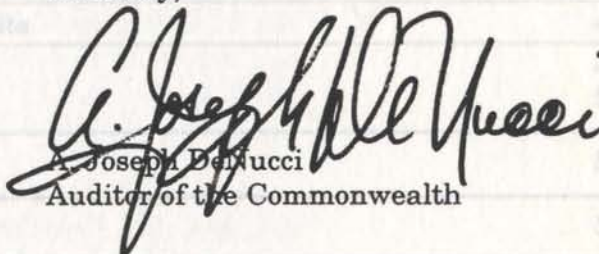
His Excellency Michael S. Dukakis, Governor
Honorable William M. Bulger, President of the Senate
Honorable George Keverian, Speaker of the House of Representatives
Honorable Patricia McGovern, Chairman of the Senate Ways and Means Committee
Honorable Richard A. Voke, Chairman of the House Ways and Means Committee
Honorable Members of the General Court:

I am pleased to submit herewith the fifth Semi-Annual Report of Audit Results and Activities of the Office of the State Auditor.

This report includes all audits issued between January 1, 1989 and June 30, 1989; corrective actions taken in response to prior audit reports; and audit and legislative initiatives. By organizing audit results in terms of category and recurring findings, the report highlights systemic problems as well as broad areas in need of strengthened fiscal, administrative, and program controls. The report continues to emphasize corrective actions taken by agencies in response to OSA audit results and recommendations. Finally, I have again included a section on OSA legislative initiatives which supplement individual audit results and recommendations by suggesting comprehensive corrective action in such areas of recurring audit findings as internal controls and trust fund oversight.

In submitting this Semi-Annual Report, I would again like to thank the Administration and members of the Legislature for supporting my initiatives, especially those recommendations relating to the control and monitoring of non-tax revenues.

Sincerely,


A. Joseph DeNucci
Auditor of the Commonwealth

Enforcement Agencies: Referrals & Requests

Division of Local Mandates

Legislative Agencies

Private Occupational Schools: Financial Evaluations

Appendix I Audit Reports Issued

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A. Joseph DeNucci, Auditor

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January - June 1989

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Office of the State Auditor: Authority and Responsibilities

The Office of the State Auditor (OSA) operates under the direction and control of the State Auditor, an independently elected constitutional officer.

The OSA undertakes to provide the Governor, the Legislature, auditees, oversight agencies, and the general public with an independent evaluation of the various agencies, activities, and programs operated by the Commonwealth. The State Auditor is mandated, under Chapter 11 of Section 12 of the Massachusetts General Laws, to conduct an audit at least once every two years of all departments, offices, commissions, health and higher education institutions, and activities of the Commonwealth, including its court system and Authorities. Not including special audit projects, the number of entities requiring audit coverage totals approximately 750. The Auditor also has authority to audit the thousands of vendors under contract with the Commonwealth and its instrumentalities, as well as federally aided programs. In addition, the Auditor is responsible, under Chapter 11, Section 6B, of the Massachusetts General Laws, for the Division of Local Mandates, which is charged primarily with determining the financial impact of legislation on cities and towns.

The OSA conducts both financial and performance audits in accordance with "Government Auditing Standards" issued by the Comptroller General of the United States. These standards are known in the profession both as Generally Accepted Government Auditing Standards (GAGAS) and as the Yellow Book standards.

OSA audit activities include the following objectives:

- Attesting to the fair presentation, accuracy, and reliability of an auditee's financial statements;
- Determining whether the Commonwealth's resources are properly safeguarded;
- Determining whether such resources are properly and prudently used;
- Determining an auditee's compliance with legal and regulatory requirements;
- Evaluating management's economy and efficiency in its use of resources;
- Determining and evaluating a program's results, benefits, or accomplishments; and
- Ensuring that all audit results are fully disclosed to the public and the auditees.

All OSA audit results and recommendations are intended to assist agency and program administrators by indicating areas where accounting and administrative controls, financial operations, program results, and efficiency and effectiveness can be improved, and by providing technical assistance where appropriate. An important component of most audits is the exit conference, during which the auditee is given an opportunity to respond to the audit and its recommendations. In short, the OSA is not simply a critic but is an agent, an advocate, and a catalyst for improved management and delivery of government services.

Audit Results, Recommendations, Initiatives, and Corrective Actions: Overview

During the report period January 1, 1989 through June 30, 1989, the Office of the State Auditor issued 135 audit reports covering Authorities, human services agencies, education entities, and various other state activities. For a complete listing of audit reports, see Appendix I on page 71. In these reports, the OSA disclosed millions of dollars of financial and operational deficiencies and also provided recommendations intended to safeguard the Commonwealth's assets and to improve the effectiveness and efficiency of governmental operations.

Audit Results

Inadequate Internal Accounting and Administrative Controls

OSA reports on local housing authorities revealed various recordkeeping and internal control weaknesses that could adversely affect their operations and distort financial statements filed with the Executive Office of Communities and Development (EOCD). Without proper controls, an Authority could incur unnecessary operating deficits or fail to maximize revenue potential, which, in either case, would potentially decrease funds available for its programs. Examples include:

- Gloucester Housing Authority's weak cash-management system resulted in the following deficiencies: loss of \$1,250 in interest; outstanding checks of undetermined validity totaling \$9,499; insufficient advances to the Revolving Fund to meet various program expenses; unrecorded inter-program payables; and improper allocation of administration expenditures.

Each type of entity audited by the OSA is governed by particular laws and regulations; is required to maintain financial records properly; and, of course, is expected to operate economically and effectively.

OSA audits are not intended to sensationalize but to present an accurate appraisal of financial management, legal compliance, and, where appropriate, program effectiveness.

Audit results and recommendations are important to auditees, and in a majority of instances auditees have indicated a willingness to take appropriate corrective action. Audit results, when viewed in the aggregate, give focus to problem areas for legislators and administration officials and, along with critical individual audit results, are also the basis of the OSA legislative and administrative initiatives and recommendations.

The following information clearly demonstrates that OSA audits not only have promoted the safeguarding of the Commonwealth's assets but have also assisted auditees in creating solutions that improve their financial and managerial operations.

Authority Audits

During the report period, the OSA released 89 audit reports on various housing, redevelopment, building, and independent authorities. Of these 89 reports, 73 represented housing authorities while the remainder represented 9 redevelopment, 2 building, 3 independent, and 2 local authorities. These reports identified several recurring audit results which, if addressed, will improve the financial management of the Authorities, thereby helping to safeguard state and federal funding as well as the interests of public housing tenants and applicants.

Audit Results

Housing Authorities

Inadequate Internal Accounting and Administrative Controls

OSA reports on local housing authorities revealed various recordkeeping and internal control weaknesses that could adversely affect their operations and distort financial statements filed with the Executive Office of Communities and Development (EOCD). Without proper controls, an Authority could incur unnecessary operating deficits or fail to maximize revenue potential, which, in either case, would potentially decrease funds available for its programs. Examples include:

- Gloucester Housing Authority's weak cash-management system resulted in the following deficiencies: loss of \$2,270 in interest; outstanding checks of undetermined validity totalling \$9,499; insufficient advances to the Revolving Fund to meet various program expenses; unrecorded inter-program payables; and improper allocation of modernization expenditures.
- Milford Housing Authority did not maintain formal attendance reports for its Executive Director and staff accountant. As a result, accumulated vacation and sick time balances for these employees could not be verified.
- Montague Housing Authority did not maintain time sheets and attendance calendars to support payroll expenditures totalling \$82,555 for three employees. Without proper documentation, the Authority could not be assured that its employees actually worked the hours for which they were paid and that sick, vacation, and personal leave balances were correct.
- Montague Housing Authority had the following administrative and recordkeeping deficiencies: inaccurate tenant ledger cards, rent rolls, and receipts; presigned blank checks; no written contracts with its fee accountant and washer-dryer vendor; inadequate and inaccurate records for its modernization program; and insufficient supporting documentation for disbursements.
- Revere Housing Authority expended \$2,100 on undocumented gasoline purchases for administrative personnel. Because employees were not required by the Authority to supply adequate documentation for their miles, it could not be determined whether the payments were strictly for reimbursing business-related travel expenses.
- Salisbury Housing Authority did not adhere to the EOCD requirement that a separate set of books for the Elderly Housing Modernization Program be maintained. Consequently, the program's cash balance could not be confirmed. Furthermore, the Authority did not prepare financial statements for this program for the fiscal year ended December 31, 1987.

Inadequate Internal Accounting and Administrative Controls

Continued

- South Hadley Housing Authority did not have adequate supporting documentation for 71% of the travel reimbursement vouchers reviewed. Thirty-seven of the 65 vouchers reviewed did not indicate the purpose of the travel or whether the travel was business-related, and 9 vouchers lacked documentation to verify pre-paid conference expenses.
- West Springfield Housing Authority exceeded its net budget by \$31,620 in its state-aided Elderly and Family Housing Programs. These budget overruns reduced the Authority's Operating Reserve and adversely affected the Authority's financial position. In addition, the overruns jeopardized the Authority's eligibility for participating in EOCD's Management Incentive Program.

Inadequate Control over Property and Equipment

Authorities that do not follow proper inventory control procedures expose property and equipment to possible loss or misuse. Several reports identified areas where controls needed improvement:

- Amherst Housing Authority did not maintain inventory records for furniture and equipment as required by the Executive Office of Communities and Development (EOCD) Accounting Manual and the U.S. Office of Management and Budget (OMB) Circular A-102.
- Chicopee Housing Authority did not maintain its inventory records for furniture and equipment in accordance with the EOCD Accounting Manual and OMB's Circular A-102.
- Montague Housing Authority, with the exception of its December 1986 list, did not conduct annual physical inventories; did not maintain adequate records of its fixed assets; and did not affix identification tags to fixed assets.
- Pittsfield Housing Authority did not prepare or maintain inventory listings and did not conduct the required annual physical inventories.
- Salisbury Housing Authority did not maintain adequate records of its assets and did not tag its inventory items to reflect ownership and asset number.
- South Hadley Housing Authority did not conduct an annual physical inventory during the audit period; had incomplete equipment record cards on file; did not affix identification tags to 24 of the 37 equipment items tested; and could not locate 2 of the 37 items.
- West Springfield Housing Authority did not conduct an annual physical inventory, nor was the original cost (or fair market value) of all equipment reflected on the Authority's financial records.

Inadequate Control over Rental Charges, Redeterminations, and Collections

OSA reports disclosed that several housing authorities did not ensure that rent increases were in accordance with Executive Office of Communities and Development (EOCD) and Department of Housing and Urban Development (HUD) regulations, did not accurately calculate tenant income, or did not develop and implement an appropriate collection policy. These conditions could result in overcharges to tenants or lost income to the Authorities. Examples include:

- Chicopee Housing Authority did not maintain rent collections on a current basis. Ninety-six current tenants were delinquent in paying rents totalling \$16,564, and 175 tenants had vacated their units owing \$55,707. From June 1987 to July 1, 1988 this delinquency rate had increased 20.5%. This could result in a reduction of operating reserves and a need for increased state and federal subsidies.
- Duxbury Housing Authority allowed landlords to receive rent increases in excess of the applicable annual adjustment factor in two of the five cases reviewed.
- Duxbury Housing Authority did not conduct the required annual re-examination of family income and composition for all tenants. Of the five tenant files examined, two contained no evidence that family income and composition had been re-examined in 1987, and one contained no evidence of re-examination since 1986. As a result, the Authority could not be assured that correct rental charges were being assessed or that these families continued to be eligible.
- Fall River Housing Authority did not perform the required annual review during fiscal year 1988 of tenants' income and expenses for its state-aided Elderly Housing Program. As a result, the Authority could not be assured that it received the proper monthly rents from tenants or that these tenants continued to be eligible.
- Falmouth Housing Authority did not perform the required annual review of tenants' income and expenses for fiscal year 1988 and therefore could not be assured that it received the proper monthly rents from tenants or that these tenants continued to be eligible.
- Montague Housing Authority did not calculate and document all rent determinations. The OSA review of 98 determinations for the Family Housing Program disclosed that 77 (79%) had insufficient or no supporting documentation, and 59 (60%) had errors resulting in a total of \$11,287 in undercharges. The Authority also could not be certain of the continued eligibility of tenants for whom rent calculations were improperly done.

Inadequate Control over Rental Charges, Redeterminations, and Collections

Continued

- South Hadley Housing Authority's review indicated calculation and documentation deficiencies with respect to rent determinations. The OSA review of 68 tenant rent determinations disclosed that 21 (31%) lacked adequate supporting documentation, contained errors in rent calculations, or used unallowable deductions. As a result, some tenants were not charged the correct monthly rent. The Authority also could not be certain of the continued eligibility of tenants for whom rent calculations were improperly done.

Noncompliance with State and Federal Laws and Regulations

Several Authorities were not in compliance with various federal or state regulations or statutes. Such noncompliance could result in overspending in such areas as contracting for services. Examples include:

- Bedford Housing Authority did not comply with Executive Office of Communities and Development (EOCD) regulations regarding competitive bid proposals when paying \$9,816 for painting services that should have put out to bid. As a result, the Authority could not be assured that it received the lowest possible price for these services. In addition, the Authority did not execute a written contract with the painting vendor, thus limiting its ability to protect itself against a possible increase in charges.
- Concord Housing Authority allowed a general contractor to do \$24,000 in additional work on a project involving the installation of lightwells, without obtaining a separate competitive bid. Therefore, the Authority could not be assured that it had received the lowest possible price for this work. Moreover, EOCD had disapproved the Authority's request for the \$24,000 change order.
- Melrose Housing Authority did not comply with EOCD regulations and its own management policy regarding competitive bid proposals and contracted rubbish removal services. As a result, the Authority could not be assured that it received the lowest price for these services.
- Rowley Housing Authority did not issue the required Internal Revenue Service (IRS) 1099-MISC income information forms to two fee accountants who, in calendar years 1986 and 1987, were paid \$700 and \$1,500, respectively. Both payments may have gone unreported and therefore may have resulted in a loss of tax revenues to the Commonwealth and to the federal government.

- Salisbury Housing Authority did not issue the required IRS 1099-MISC income information forms to private contractors who, in calendar years 1986 and 1987, were paid \$4,800 and \$4,272, respectively. These payments may have gone unreported and therefore may have resulted in a loss of tax revenues to the Commonwealth and to the federal government.
- South Hadley Housing Authority did not comply with EOCD regulations regarding contracting of services. During the audit period, the Authority paid a total of \$4,059 for washer-dryer services that should have been covered under a contractual agreement. In addition the Authority was renting space to a private vendor without having executed a written lease.

Noncompliance with Tenant - Selection Procedures; Delays in Filling Vacant Apartments

OSA reports disclosed that several housing authorities did not adhere to certain Executive Office of Communities and Development (EOCD) regulations regarding tenant selection and did not move expeditiously to fill vacant apartments. These conditions could result in lost rental income to the Authorities, as well as potentially depriving eligible low-income persons of housing to which they were entitled. Examples include:

- Montague Housing Authority needed improvements in its tenant-selection procedures for both Elderly and Family Housing Programs: applicants were admitted contrary to EOCD requirements regarding income, assets, and age; supporting documentation in tenants' files was incomplete; and applicants were not being notified in writing of their eligibility status. As a result of these deficiencies, eligible tenants may have been denied housing, while ineligible applicants may have received housing.
- Montague Housing Authority's waiting lists were inaccurately maintained. The Authority placed applicants on the waiting list who were ineligible or were allowed too many housing unit offers. As a result of these deficiencies, eligible tenants may have been denied housing, while ineligible applicants may have received housing.
- Rowley Housing Authority's delays in preparing 21 vacant apartments for new tenants resulted in loss of potential rental income totalling \$4,177, which contributed to deficits in the Authority's Elderly Housing Program and delayed placement of eligible applicants.

**Noncompliance
with Tenant -
Selection
Procedures; Delays
in Filling Vacant
Apartments**

Continued

- Shrewsbury Housing Authority lost potential rental income totalling approximately \$4,381 because of delays in preparing and filling 17 vacated apartments in its Elderly Housing Program.
- South Hadley Housing Authority had 30 units vacant for periods ranging from 17 to 91 days. These delays resulted in eligible tenants being temporarily denied housing, as well as a loss of potential rental income totalling \$3,097.
- West Springfield Housing Authority lost potential rental income of approximately \$2,562 and increased applicants' waiting periods because of delays in preparing 25 vacant units for new tenants in its Elderly Housing Program.

**Retention of
Excess
Development
Funds**

The Executive Office of Communities and Development (EOCD) advances funds to local housing authorities for the construction and upkeep of the Commonwealth's public housing units. Excess money that is not returned in a timely manner upon project completion denies the Commonwealth the use of these funds that are provided through the sale of bonds on which the Commonwealth pays interest. During the report period, a total of \$668,489 in excess funds was identified. Examples include:

- Franklin County Regional Housing Authority had \$94,489 in excess development funds from an elderly housing building program which had been completed in May 1982. As of February 24, 1989, the Authority was still awaiting close-out instructions from EOCD.
- Melrose Housing Authority had \$574,000 in accumulated excess development and subsidy funds, some of which dated as far back as 1981. The Authority should return funds for which it has no current commitment.

Unsafe Conditions

One report issued during this period revealed potential safety hazards:

- Montague Housing Authority did not utilize funds on-hand or excess operating reserves to make needed repairs. An OSA inspection of 4 of the 30 units in the Family Housing Program disclosed deteriorating conditions in 3 of the units. These included water-damaged bathroom walls and kitchen ceilings, missing and non-functioning smoke detectors, and leakage from oil furnaces.

Building, Redevelopment, and Independent Authorities

Inadequate Accounting and Administrative Controls

OSA reports of building, redevelopment, and independent authorities revealed various accounting, recordkeeping, and other internal control weaknesses that could adversely affect their operations and distort financial statements filed with oversight agencies. Examples include:

- Gardner Redevelopment Authority received overpayments from the Executive Office of Communities and Development (EOCD) for the state's share of net project costs for East Gardner Industrial Park. Since June 1983, EOCD has been making annual payments of \$5,008 instead of the correct amount of \$3,563. If the current annual payment of \$5,008 continues, the Commonwealth will have over-reimbursed the City of Gardner \$16,260 by the completion of the payment schedule in June 1995.
- The Massachusetts Port Authority (Massport) did not establish effective control over reimbursements to its employees for use of their personal credit cards. Tests revealed that the Authority reimbursed approximately \$12,300 to various employees for luncheons, dinners, and parties. This was not in compliance with the Authority's Travel and Entertainment Policy and Procedures Statement, and, as a result, employees may have received reimbursements to which they were not entitled.
- University of Lowell Building Authority did not exercise its contractual right to review the contractor's cash receipts from food sales. As a result, the Authority cannot be assured that the \$47,267 it received as commissions earned on cash sales between July 2, 1985 and June 30, 1987 was the proper amount. In addition, the OSA's review of payments and analysis of contractual obligations indicated that more than \$93,000 in expenses paid by the Authority should have been paid by the contractor.

Inappropriate Write-off by the Commonwealth

Collection and write-off of delinquent accounts is an important aspect of non-tax revenue maximization. A receivable that is written off too quickly is similar to an unnecessary expenditure in that it represents loss of income that could have gone to fund essential services or alleviate budget shortfalls. For example:

- The Massachusetts Port Authority (Massport) acquired the Seaport Properties from the Commonwealth of Massachusetts on February 17, 1959. Subsequent to this date, the Commonwealth continued to pay off the debt of \$16,000,000 for the Seaport Properties. As of June 30, 1987, Massport's obligation was \$17,928,000, which included interest paid by the Commonwealth on the outstanding Seaport bonds. When the final debt-service

Inappropriate Write-off by the Commonwealth

Continued

payment for these bonds is made in 1990, the amount owed by Massport would have increased to \$17,942,660. However, on July 26, 1988 legislation was approved which included a provision that accepted \$5,000,000 from Massport as settlement for its debt. The OSA's review of Massport's financial statements for the year ended June 30, 1987 indicated that the Authority's financial position was strong enough to pay off its debt to the Commonwealth by the end of fiscal year 1989. The OSA thereby believes that the write-off allowed to Massport was an unwise and costly settlement for the Commonwealth.

Revenue Not Maximized

An OSA audit revealed the following instances of revenue not maximized:

- The University of Lowell Building Authority maintained a balance of \$83,080 as of June 30, 1987 in a NOW checking account which paid 5 1/4% interest. For fiscal years 1986 and 1987, the Authority lost potential interest income of \$6,200 by not keeping these funds in a higher yield account.
- The University of Lowell Building Authority did not charge dormitory rent for 150 participants in a two-day conference and for another 150 participants in a seven-day conference. The Authority, therefore, lost approximately \$7,000 which it could have recovered by charging conference participants the same \$5.73 per day paid by undergraduate students.

Room Rental Waivers

The OSA, in a prior audit report, revealed that during fiscal years 1984 and 1985, the University of Lowell Building Authority waived approximately \$100,000 in dormitory rent, mostly for student athletes attending the University of Lowell. This \$100,000 was absorbed by an increase in rental charges to the remaining dormitory students. The OSA recommended that the Authority's Board of Trustees discontinue this practice.

- The University of Lowell Building Authority's Board of Trustees voted on May 11, 1987 to continue to grant room rental waivers. For the 1987-1988 academic year, waivers of \$78,694 (\$1,606 per student) were granted to 6 economically disadvantaged students and to 43 student athletes.

Prior Audit Results: Corrective Actions

A review of prior audit results is an important component of each OSA audit. This follow-up review helps to monitor and to recognize agency compliance with OSA recommendations. Housing authorities have been particularly responsive to OSA recommendations and in most instances have moved expeditiously to improve their financial management practices, as indicated by the following examples:

Amherst Housing Authority	<ul style="list-style-type: none"> ■ The Authority has taken steps to maximize interest income on Rental Assistance Program funds.
Bedford Housing Authority	<ul style="list-style-type: none"> ■ The Authority has obtained liability insurance coverage on its pickup truck. ■ The Authority now maintains control of records for the 707 Rental Assistance Program.
Cohasset Housing Authority	<ul style="list-style-type: none"> ■ The Authority has reconciled its checkbooks to the bank statements and ledger balances and has properly filed modernization reports in compliance with Executive Office of Communities and Development (EOCD) regulations. ■ The Authority has complied with the procedures outlined in the Code of Massachusetts Regulations (CMR) 760 pertaining to tenant rent determinations and lease addenda. The Authority performed a thorough review of its tenant files to ensure that all information was current and properly recorded and that lease addenda were completed.
Danvers Housing Authority	<ul style="list-style-type: none"> ■ The Authority returned \$11,397 in excess rental subsidies to EOCD on December 1, 1988.
Easton Housing Authority	<ul style="list-style-type: none"> ■ The Authority is requiring written documentation, as required by EOCD regulations, before making reimbursements for expenditures.

**Franklin County
Regional Housing
Authority**

- The Authority is now correctly calculating administrative fees earned from its Section 8 Housing Assistance Payments Program.
- The Authority is taking active steps to collect outstanding receivables.

**Lee Housing
Authority**

- The Authority is now calculating rent determinations on an annual basis, as well as maintaining all back-up data needed to correctly calculate annual rents.
- The Authority has closed unsafe units in its Family Scattered-Site Program and assisted tenants in relocating to alternative housing.
- The Authority has implemented internal controls for employees' payroll time sheets and attendance calendars. Payroll records are now reviewed periodically by the Housing Authority Board to ensure compliance.
- The Authority has revised its travel policy and reimbursement practices to be in compliance with EOCD regulations.
- The Authority has reimbursed the Tenants' Association \$465 for the inappropriate charges it was assessed.
- The Authority has discontinued its practice of pre-signing blank checks and currently signs checks only after supporting documentation has been reviewed.

**Mattapoisett
Housing Authority**

- The Authority now maintains property ledgers and performs annual physical inventories of furniture and equipment, in accordance with EOCD regulations.
- The Authority now complies with both state and federal requirements for payroll tax withholdings for all employees.

Newton Housing

- The Authority has strengthened controls over inter-program financing among its Elderly Housing Programs, Family Scattered-Site Housing Programs, and Leased Housing Program.
 - Authority personnel are providing supporting documentation for the number of miles traveled on business-related trips, in accordance with EOCD regulations.
 - The Authority is obtaining EOCD's prior approval for all purchases from its operating reserve in excess of \$2,000.
-

Initiatives

Peabody Housing Authority

- The Authority has complied with bidding requirements by properly obtaining competitive bids for contracts awarded during the audit period.
- The Authority has implemented proper procedures to ensure that wages earned by maintenance employees are reported on state and federal tax information forms.
- The Authority has properly written off a \$7,512 accounts receivable balance which had been carried on its books since August 1981.

Revere Housing Authority

- The Authority has ensured that laborers and mechanics have been reimbursed by the appropriate contractor for underpayment of wages received while doing contracted work for the Authority.

Salisbury Housing Authority

- The Authority has improved internal controls over cash transactions.
- The Authority now complies with its written contract with a washer/dryer vendor by collecting commissions and paying the contractor for ordinary maintenance repairs.
- The Authority now submits its operating budget within the EOCD time frame of 30 days prior to the start of the Authority's fiscal year.

Southbridge Housing Authority

- The Authority is now properly documenting bidding procedures, in accordance with EOCD regulations.
- The Authority has corrected deficiencies that were previously noted with respect to establishing rental charges and maintaining waiting lists.

Springfield Housing Authority

- The Authority has collected and paid all past-due Comprehensive Medicare taxes to the Internal Revenue Service.

The University of Lowell Building Authority

- The Authority now issues the required IRS 1099-MISC income forms to appropriate personnel.
- The Authority now files its annual financial report with the Governor and the State Auditor, as required by Chapter 557 of the Acts of 1961.

West Springfield Housing Authority

- The Authority, in order to maximize interest income, has appropriately transferred its idle funds to high-yielding investment accounts.
-

Initiatives

The following is an update of planned and ongoing OSA initiatives in the area of Authority audits:

Executive Office of Communities and Development (EOCD)	<ul style="list-style-type: none"> ■ The OSA is nearing completion of its review of EOCD's budgetary practices relative to how the agency estimates local housing authority subsidy requirements and whether there are excess subsidy funds made available to local housing authorities. The audit will also include a review of EOCD's contracting for special programs for tenants in public housing.
Massachusetts Bay Transportation Authority (MBTA)	<ul style="list-style-type: none"> ■ The OSA is nearing completion of its review of the Orange Line reconstruction project. This audit focuses on the MBTA's policies and practices pertaining to the awarding, coordinating, and reviewing of design engineer and construction contracts.
Massachusetts Convention Center Authority	<ul style="list-style-type: none"> ■ The OSA is nearing completion of its audit of the Massachusetts Convention Center Authority, which focuses on a review of construction contracts and related expenditures.
Massachusetts Port Authority (Massport)	<ul style="list-style-type: none"> ■ The OSA is planning an audit which will examine several operating practices at Massport. The survey will review Massport's policies and procedures for reimbursing personnel for travel and entertainment expenses, for controls allocating expenses, and for contract award practices.
Massachusetts Turnpike Authority	<ul style="list-style-type: none"> ■ The OSA is planning a review of the Massachusetts Turnpike Authority's process for setting fees; controls over revenue; controls over furnishings, equipment, and other fixed assets; contract award practices; and travel and entertainment policies and procedures.
State College and University Building Authorities	<ul style="list-style-type: none"> ■ The OSA is planning a comprehensive review of the four state college and university building authorities. The audit will examine the fee structure (room and board rates) of each Authority; methods employed to assess utility usage and reimbursement to the Commonwealth for such usage; the decision-making process for the construction, maintenance, repair, and rehabilitation of facilities; controls over furnishings and equipment; and cash management practices. The review will also compare the organization and functions of each Authority.

The OSA is currently reviewing the following areas related to the Commonwealth's higher education system:

- Executive Office of Education (EOE)** - The OSA is reviewing the EOE's role in the Commonwealth's higher education system, including its relationship with the Department of Education and the various state agencies.
- Massachusetts Bay Transportation Authority (MBTA)** - The OSA is reviewing the MBTA's financial management, including its budgeting process and its relationship with the Commonwealth.
- Massachusetts Convention Center Authority** - The OSA is reviewing the Convention Center Authority's financial management, including its budgeting process and its relationship with the Commonwealth.
- Massachusetts Port Authority (Massport)** - The OSA is reviewing Massport's financial management, including its budgeting process and its relationship with the Commonwealth.
- Massachusetts Turnpike Authority** - The OSA is reviewing the Turnpike Authority's financial management, including its budgeting process and its relationship with the Commonwealth.
- State College and University Building Authorities** - The OSA is reviewing the financial management of the various state colleges and university building authorities, including their budgeting processes and their relationships with the Commonwealth.

Education Audits

During the report period, the OSA released seven reports pertaining to the Commonwealth's higher education system. These include three audits of the Federal Student Financial Assistance Programs at various institutions and three EDP audit reports which are detailed on pages 49 to 51.

The OSA is planning a comprehensive review of the four state colleges and university building authorities. The audit will examine the financial management of each authority, including its budgeting process, its relationship with the Commonwealth, and its financial reporting. The review will also compare the financial management practices of the various authorities and will provide recommendations for improvement.

Audit Results

Inadequate Internal Accounting and Administrative Controls

Adequate accounting and administrative controls help maximize state non-tax revenue collections of accounts receivable and help minimize misuse of state funds. Inadequate control over accounts receivable and weaknesses in controls over an institution's financial assistance programs were reported in the following instances:

- Cape Cod Community College needed to improve procedures concerning its management and maintenance of accounts receivable governing tuition and fees due from students. Of the \$47,474 of accounts receivable existing as of June 30, 1987, \$28,545 was overdue for periods ranging from 6 months to 16 years. An additional \$15,410 represented invalid accounts receivable, which should have been cancelled due to student withdrawals.
- Massachusetts Maritime Academy did not maintain general ledger accounts for its Federal Student Financial Assistance Programs as prescribed by the Department of Education in its accounting, recordkeeping, and reporting manual. As a result, the Academy could not be assured some transactions had not been overlooked or counted more than once.

Prior Audit Results: Corrective Actions

A review of prior audit results is an important component of each OSA audit. This follow-up review helps to monitor and to recognize agency compliance with OSA recommendations. Among the higher education entities that implemented the OSA's recommendations were the following:

Bridgewater State College

- College Work Study slips are now being properly signed by students.
- The College is processing the required \$200 minimum monthly payment for the Supplemental Educational Opportunity Grants Program.
- The College has instituted proper verification procedures for amounts granted in student award letters.

Massachusetts Maritime Academy

- Students in the College Work Study Program (CWS) are now being paid at least monthly, as required by regulation; and supervisors now review and sign time sheets.
- The Academy has implemented procedures for determining proper refunds to the Title IV programs and Guaranteed Student Loan (GSL) lenders for students who withdraw during the first three weeks of a semester.
- The Academy is making most Pell Award payments in two equal installments as required and, in the exceptional cases, is documenting the reason for making the total payment in a single semester.
- The Academy's criteria for satisfactory academic progress are published in its current catalogue, which is available to all financial aid applicants.

Mt. Wachusett Community College

- Documentation to support changes in grant awards is now included in student files.
- The College is accurately maintaining Federal Assistance Financing System ledgers. All entries made to ledgers are being clearly identified, dated, and balanced.
- The College's records are now computerized and provide student historical financial aid data.

Initiatives

Listed below are planned and ongoing initiatives related to higher education and to activities overseen by the Department of Education (DOE):

Special Education Law (Chapter 766)

- The OSA's divisions of Audit Operations and EDP Audit are assisting its Division of Local Mandates in a comprehensive state-wide study of Chapter 766, the law intended to ensure a child's right to equal educational opportunity despite special needs. This study is targeting such areas as student placement, mainstreaming, the role of educational collaboratives, private school tuitions, transportation, and the role and responsibility of various state agencies in ensuring program success.

Student Financial Aid Programs

- The OSA will be conducting audits of federal student financial aid programs at twelve colleges and universities. These audits are being performed as part of the OSA's participation in the Single Audit of the Commonwealth's Comprehensive Annual Financial Report.

Prior Audit Results: Corrective Actions

Initiatives

These findings and recommendations are intended to assist the Department of Education in its ongoing efforts to improve the quality of its programs and services. The Department of Education is committed to ensuring that all students have access to a high-quality education and that all schools are held to the same standards of excellence.

The OSA's divisions of Audit Operations and EDP Audit are working to ensure that all schools are held to the same standards of excellence. The OSA is committed to ensuring that all students have access to a high-quality education and that all schools are held to the same standards of excellence.

The OSA will be conducting audits of federal student financial aid programs at twelve colleges and universities. These audits are part of the OSA's ongoing efforts to ensure that all students have access to a high-quality education and that all schools are held to the same standards of excellence.

Human Services Audits

During the report period, the OSA released eight reports pertaining to human services activities, six of which contained audit results. These reports revealed deficiencies in such areas as controls over client funds, controls over inventory, and internal administrative controls.

Mr. Wachusett
Community
College

- The College is accurately maintaining Federal Assistance Financing System ledgers. All entries made to ledgers are being clearly identified, dated, and balanced.
- The College's records are now computerized and provide student historical financial aid data.

Audit Results

Inadequate Controls over Patient Accounts

The need for improvement over the management of client funds was noted at a number of facilities. Strict monitoring of client funds is important to ensure accurate balances of clients' accounts and to protect their interest income. For example:

- Belchertown State School had a number of deficiencies in control over residents' funds and property. Supporting documentation for Residents' Fund expenditures was either non-existent or insufficient; perpetual inventory records of residents' valuables were not kept; and the disposition of valuables could not be determined. In addition, 47% of the residents had cash balances in excess of the school's recommended immediate need balance of \$150. Since these funds are kept in a noninterest-bearing account, amounts in excess of the recommended \$150 should have been kept in individual interest-bearing accounts.
- Northampton State School lacked adequate internal controls over the Residents' Fund account. This lack of control contributed to a theft of \$14,600 by a caseworker.
- The Soldier's Home in Holyoke expended \$199,761 from its Retained Revenue Account, of which \$135,425 did not comply with the statute stating that such funds were to be expended for patient care.

Inadequate Accounting and Administrative Controls

OSA audits revealed that several human services entities had deficiencies pertaining to internal control policies and procedures. Adequate accounting and administrative controls help maximize state non-tax revenue collections of accounts receivable and help minimize misuse of state funds. Specific areas where controls were inadequate included revenue reconciliation, travel reimbursements, and expenditure documentation. These deficiencies could distort financial statements, create vulnerabilities to waste and fraud, and result in unnecessary expenditures. Examples include:

- Belchertown State School's accounting controls over its Career Services Program revealed the following weaknesses: vending machine revenues were not reconciled; receipts to verify sales were discarded; and there was no verification of income receipts from the various entities. As a result, the Program's funds were vulnerable to waste and abuse.
- Belchertown State School lacked adequate controls over its administrative and recordkeeping practices. Travel reimbursements exceeded amounts allowed by the school's policy

Inadequate Accounting and Administrative Controls

Continued

manual; state appropriations were not in agreement with, and not reconciled to, the State Comptroller's records; and recordkeeping for employee/resident benefit expenditures needed improvement so that the beneficiaries could be verified.

- The Soldier's Home in Holyoke had the following inadequacies in internal administrative controls: use of \$9,234 from one year's appropriation to pay for the following year's expenses; no signatory approval of payment vouchers; routine maintenance and safety inspections costing \$23,000 annually for the Home's elevators based on a contract that expired in 1983; and unreconciled variances between the official records of the State Comptroller and the Home's accounting records.
- The W.C. Gaebler Children's Center lacked adequate documentation to support \$185,000 paid to a Massachusetts corporation to provide on-site psychiatric coverage during non-business hours. Bills were not accompanied by attendance calendars, nor did they identify which employee of the corporation provided the services. As a result, the OSA could not be assured that the Center received all the services for which it paid.
- The W.C. Gaebler Children's Center expended \$15,890 for expenses that were incurred by other Department of Mental Health (DMH) agencies. Concurrently, the Center received benefits from expenditures made by Metropolitan State Hospital, as it provided the Center with electricity, water, medication, and outside maintenance of its grounds. In addition, the Fernald State School provided telephone services to the Center. The Center's practice of paying for goods and services provided to other agencies conflicts with the budgetary process as defined in the MMARS Policy Manual because the Center's financial statements presented do not accurately reflect its expenditures for fiscal year 1987.

Revenue Not Maximized

Untimely billings to third-party insurers deny the Commonwealth the timely use of funds as well as potential interest income. In addition, not billing for services which may be otherwise eligible for reimbursement results in a direct loss of revenue to the Commonwealth. For example:

- The Soldier's Home in Holyoke did not promptly bill third-party insurers for \$421,935 of patient services, nor did it bill third-party insurers for \$125,435 of physical and occupational therapy. Thus, the Commonwealth was denied the timely use of funds, as well as a source of revenue.

Inadequate Control over Property and Equipment

The State Comptroller's Policy Manual requires all state entities to keep complete inventories and to tag equipment in order to ensure that property is safeguarded and used for its intended purposes. Several reports identified areas where controls needed improvement. For example:

- Belchertown State School lacked adequate controls over materials/supplies and furniture/equipment inventories: the OSA test of gasoline inventory revealed a shortage of 1,832 gallons during 1987; transfers of furniture and equipment to other locations were not documented; and new items for intermediate-care facilities were neither tagged nor inventoried. As a result, the potential existed for loss or misuse of equipment.
- Northampton State Hospital needed to delegate responsibility for property and equipment to one office in order to improve inventory control. Lack of centralized inventory control was evident in the types of discrepancies uncovered.

Fifty-nine percent of the sampled equipment items initially could not be located and, even when the hospital searched for the missing equipment, only 24 of the 44 missing items were found. Among the missing items were refrigerators, a television, and a projector. In addition, the inventory listing was not up-to-date and had not been verified with a complete physical inventory since 1981. Finally, the Hospital did not adhere to its own policies for moving equipment, and the hospital staff routinely discarded damaged equipment without notifying appropriate hospital personnel.

- The Soldier's Home in Holyoke lacked adequate internal controls over physical property and materials and supplies which contributed to the fact that 25% of 106 sampled items, valued at \$10,339, could not be located, including four typewriters, eight televisions, and a tractor. The most recent inventory listing, June 30, 1987, was inaccurate and incomplete; and tagging of equipment, a prior audit recommendation, had not been done.

Special Audit Section

Architectural Access Board

The OSA conducted a review of the Architectural Access Board (AAB) in order to evaluate the AAB's implementation of eleven legislative recommendations made by the Joint Committee on Human Services and Elderly Affairs in August 1986. The following comparison represents AAB's progress toward the implementation of the legislative recommendations during the 18 months following the issuance of the legislative report.

Legislative Recommendation One

The regulations of the AAB should be rewritten to ensure participation from the disabled community throughout the AAB's decision-making process.

- The AAB has made some progress in terms of handicapped-community involvement. For instance, the AAB now has an operable Telephone-Communication Device (TCD) for deaf consumers and is in the process of arranging for a toll-free phone number. Contrary to the recommendation, however, the AAB does not have any formal process or procedure for involving the handicapped community in setting AAB objectives and priorities, and no formal written plan for involving the disabled community in all aspects of AAB decision-making.

Legislative Recommendation Two

The AAB should adopt formalized hearing procedures which include specific time frames for the resolution of complaints.

- In February, the AAB adopted a complete hearings manual with specified time frames.

Legislative Recommendation Three

The AAB should comply with its own regulations regarding the use of advisory opinions.

- The AAB has responded to this recommendation and will no longer state, in ruling on compliance issues in advisory opinions, whether a particular architectural access variance will be granted.

Legislative Recommendation Four

The AAB should monitor compliance with its rulings by conducting follow-up inspections and acting immediately on violations.

- The above problem was due largely to a lack of staffing. The AAB has since hired two compliance officers and is developing a case tracking system to monitor compliance.
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Legislative Recommendation Five	<p>AAB should maintain accurate taped and written records of its meetings, including all written communication received or sent.</p> <ul style="list-style-type: none"> ■ Due to increased staff resources, there has been considerable improvement in transcribing meetings, and AAB has also made recent efforts to improve the quality of the taping process.
Legislative Recommendation Six	<p>AAB should employ sufficient professional and clerical staff to ensure efficient administration.</p> <ul style="list-style-type: none"> ■ AAB has budgeted for seven full-time positions; however, due to severe budget problems, only three positions have been filled to date.
Legislative Recommendation Seven	<p>AAB should obtain the necessary technical expertise in order to make fair and equitable decisions.</p> <ul style="list-style-type: none"> ■ AAB still needs to make improvements in the use of the technical expertise of independent consultants.
Legislative Recommendation Eight	<p>AAB should conduct training seminars for local building inspectors, architects, developers, and consumers.</p> <ul style="list-style-type: none"> ■ AAB has made some improvements in the educating and training of local building inspectors, architects, and developers. Tentative plans for a training program have been developed, and the AAB is circulating a periodic newsletter and fact sheets to the targeted groups.
Legislative Recommendation Nine	<p>AAB should monitor the issuance of building permits by local building inspectors.</p> <ul style="list-style-type: none"> ■ The AAB has not complied with that portion of the law that requires it to maintain a record of all state and local building inspectors and of the building permits these inspectors issue. This is intended to ensure that the permit issuer has been recorded for any building later found by AAB to have architectural access violations.

Special Audit Section

Legislative Recommendation Ten A majority of the AAB should be physically handicapped persons.

- Currently, five of the nine AAB members are physically handicapped, and a sixth disabled person is awaiting to be sworn in by the Governor.

Legislative Recommendation Eleven A special commission should be established to review the appropriateness of the current jurisdiction of the Department of Public Safety over the AAB.

- The AAB was recently moved from the Department of Public Safety to the Executive Office of Public Safety in order to give it more autonomy. The AAB, however, has continued to experience problems in accessing appropriated funds, utilizing the MMARS on-line functions, and expediting hiring with the Division of Personnel Administration.

Vendor Audit

In addition to audits of human service agencies, the OSA also conducts financial and programmatic audits of vendors who contract with the state to provide human services. During the report period, the OSA reviewed selected financial and operations activities of the Transportation Resources Initiative Project, Inc. (TRIP), a non-profit company that provides transportation services to clients of human services agencies in the fifteen towns of the Blackstone Valley. Results of this audit are detailed below.

Lack of a Standardized Rate System

- TRIP's rate-setting methods concerning fees charged for its transportation services had not been realistically set to provide a fair return for the type of services rendered. From October 1986 to June 1988, TRIP's fiscal operations showed a deficit of \$36,630 representing expenditures in excess of revenue, and a further deficit of \$30,000 was anticipated for the current fiscal year ending June 30, 1989. TRIP will not be further subsidized by either federal or state sources and needs to establish a sound and equitable rate structure that will provide the revenue needed to guarantee that eligible persons are receiving the transportation services for which the state is contracting.

Poor Coordination with Private Transportation Companies

- TRIP needed to show improvement in coordinating its efforts with the private transportation companies, as required by the U.S. Department of Transportation's Urban Mass Transportation Administration regulations under the Mobility Assistance Program. Specifically, TRIP "must show that the interest of existing public and private transit and paratransit operators in their transportation service area have been protected and that they have been afforded a fair and timely opportunity to participate to the maximum extent feasible in the development of the transportation program...." TRIP management could not provide any evidence to show the extent of such effort since the inception of its program. Because of the sensitive nature of the public sector competing with private enterprises, it is important to ensure the involvement of all parties that could be economically affected by such competition.

Under-utilization of Vehicles Available to TRIP

- TRIP had made inadequate efforts to ensure that the vehicles for which it had responsibility were utilized to the maximum. For example, although TRIP is in existence to facilitate the maximum utilization of program vehicles, during the first ten months of 1988, TRIP was operating at only 50% capacity. As a result, certain eligible persons and groups may have been denied transportation.

Inadequate Marketing of Transportation Services

- TRIP's outreach activities showed that some improvements were needed in marketing its transportation services to the service-area public. Since the inception of the program, TRIP's outreach activities had consisted of a brochure which was disseminated throughout the Blackstone Valley, a poster, and two public relations articles. The specified target groups must be educated regarding the available services if they are to avail themselves of these services.

Prior Audit Results: Corrective Actions

A review of prior audit results is an important component of each OSA audit. This follow-up review helps to monitor and to recognize agency compliance with OSA recommendations. Among the human services entities that implemented the OSA's recommendations were the following:

Belcherstown State School

- The School has improved its inventory controls and is now systematically recording all supplies; conducting the required physical inventories and property counts; storing all supplies in a secure, central warehouse; and tagging all items upon receipt at the warehouse.
- The School's financial management practices have been improved by establishing guidelines for the monitoring of Residents' Fund expenditures; recording expenditures in a timely and accurate manner; and returning Residents' Fund cash boxes daily to the Treasurer's Office for nightly lock-up and for reconciliation of cash balances.

Soldier's Home In Holyoke

- The Home has improved controls over medical supplies by maintaining an up-to-date inventory listing, conducting an annual physical inventory, and adequately securing the supply area from unauthorized entry.
- The Home is now adhering to its guidelines governing the use of the Trustee Fund by requiring the Home's treasurer to prepare financial statements that break down the cash balance into related categories, and to monitor expenditures from the fund monthly to ensure compliance.
- The Home has improved controls over medical consultants' billings through the use of an attendance register and comparison of the register to the consultants' payment invoices.

W.C. Gaebler Children's Center

- The Center is now reconciling its revenue to the State Comptroller's report.
 - The Center has adequately segregated job responsibilities at the business center.
 - The Center, through the use of MMARS, is now controlling and monitoring payments to vendors.
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Initiatives

The following is an update of planned and ongoing initiatives in the area of human services:

Architectural Access Board (AAB)

- The OSA is planning a follow-up review on the status of the AAB's implementation of eleven recommendations contained in a study by the Joint Legislative Committee on Human Services and Elderly Affairs. The OSA audit will update the status of the prior report and identify the progress the AAB has made towards fulfilling its mandate.

Department of Social Services (DSS): Caseworker Workload

- This OSA audit will examine DSS compliance with court-mandated caseload guidelines.

Department of Social Services: Day-Care Contracting

- The OSA is continuing to review the system at DSS for contracting with day-care providers, as well as methods of provider reimbursement.

Department of Social Services and District Attorney's Offices

- The OSA is continuing an audit which examines compliance by the Department of Social Services and the District Attorney's Offices with the requirements of Chapter 288 of the Acts of 1983, the Child Abuse Reporting Act.

State Institutions: Client/Inmate Funds

- The OSA is conducting two separate audits which examine practices and procedures in place at state institutions for monitoring client and inmate funds.

Third-Party Billing Systems

- The OSA is continuing an analysis of the billing and collection procedures over third-party billings at the Commonwealth's mental health, mental retardation, and public health institutions. Field work has been completed at mental health and mental retardation facilities and is about to begin at public health institutions. This audit will focus on the timeliness and frequency of billings as well as the collection and deposit of revenues, in an effort to maximize state revenues.
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<p>in a number of instances, the state has been able to identify and correct problems before they become widespread. This is a significant achievement, especially in light of the fact that the state has a large and diverse population.</p>	<p>The OSA is planning a follow-up review of the state's financial management system in the next few months. This review will focus on the state's budgeting process, its accounting system, and its financial reporting system. The OSA will also be looking at the state's internal controls and its risk management system.</p>
<p>The OSA is continuing to work with the state on a number of initiatives. One of the key initiatives is the state's financial management system. The OSA is working with the state to improve its budgeting process, its accounting system, and its financial reporting system. The OSA is also working with the state to improve its internal controls and its risk management system.</p>	<p>The OSA is continuing to work with the state on a number of initiatives. One of the key initiatives is the state's financial management system. The OSA is working with the state to improve its budgeting process, its accounting system, and its financial reporting system. The OSA is also working with the state to improve its internal controls and its risk management system.</p>
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Judiciary/Law Enforcement Audits

Ten judiciary audits were released during the report period, five of which disclosed recurring problems in the areas of accounting, administrative, and inventory controls. Strong fiscal controls help ensure that the state's financial assets are properly safeguarded and spent as intended.

Audit Results

Inadequate Accounting and Administrative Controls

Several reports revealed various accounting, recordkeeping, and other internal control weaknesses. These deficiencies could distort financial statements, create vulnerabilities to waste and fraud, and result in unnecessary expenditures. Examples include:

- The Boston Division - Juvenile Court Department did not maintain adequate documentation of employee work time, and supervisors did not sign the employees' time sheets. In addition, our testing disclosed errors in the calculation of sick and vacation benefit accruals and the payment of \$605 in overtime wages to the wrong employee.
- The Boston Division - Juvenile Court Department did not maintain proper documentation either to support the \$28,566 bail balance reflected on the court records as of March 31, 1987 or to resolve the \$8,567 variance that existed between court records and bank records as of March 31, 1987. In addition, the Court did not comply with statutory requirements for abandoned and forfeited bails.
- The Criminal History Systems Board (CHSB) expended fiscal year 1987 funds totalling \$40,676 from its maintenance appropriation for the salary of the Special Assistant to the Executive Director of the CHSB. However, this individual was assigned to the Office of the Secretary of Public Safety, and, therefore, payroll expenditures for this position were inappropriately charged to the CHSB in fiscal year 1987.
- Franklin Division - Superior Court's Probation Office deposited \$11,837 in court-ordered payments monthly instead of daily as required by the Trial Court's Fiscal Systems Manual. As a result, cash receipts were potentially exposed to possible misuse or theft. Furthermore, the Commonwealth was denied the timely use of the funds and interest income.
- Hampshire Division - Probate and Family Court's Probation Office did not properly reconcile its bank accounts in accordance with the Trial Court's Fiscal Systems Manual. As a result, the Probation Office lacked assurance regarding the accuracy of the cash balances.
- The Worcester Division - District Court Department was incorrectly reconciling its bank statements to cash controls, resulting in an unidentified cash variance of \$2,793 as of the date of audit.

Inadequate Property and Equipment Inventory Control

The State Comptroller's Policy Manual requires all state entities to keep complete inventories to ensure that property is safeguarded and used for its intended purposes. Several reports identified areas where controls needed improvements. Examples include:

- The Boston Juvenile Court did not conduct required physical inventories of its equipment or maintain inventory records on an up-to-date basis, thereby subjecting its property to possible loss or misuse.
- The Worcester Division - District Court Department lacked adequate property and equipment inventory procedures. The OSA review indicated that court inventory records were neither current nor complete, thereby subjecting property to possible loss or misuse.

Prior Audit Results: Corrective Actions

A review of prior audit results is an important component of each OSA audit. This follow-up review helps to monitor and to recognize agency compliance with OSA recommendations. Among the judicial system institutions that implemented the OSA recommendations contained in prior audit reports were the following:

Boston Division - Juvenile Court Department	<ul style="list-style-type: none"> ■ The Court is now posting its postage-fund advances in the cash journal, as required.
Commission on Judicial Conduct	<ul style="list-style-type: none"> ■ Recordkeeping deficiencies were corrected by the Commission through increased internal controls. ■ Control weaknesses and procedural deficiencies were corrected through the purchase of a fireproof file cabinet, the taking of a property and equipment inventory, and the use of a restricted entrance to the office.
Criminal History Systems Board (CHSB)	<ul style="list-style-type: none"> ■ The CHSB has improved controls over travel expenditures by ensuring that all travel vouchers are closely reviewed for adherence to regulations: only allowable travel expenses are paid; travel expenses are charged to the appropriate accounts; and documentation is attached to travel vouchers. ■ The CHSB has performed extensive work to develop a disaster-recovery plan to ensure continued computer operations for critical services in the event of significant disruptions or loss of processing capabilities. The Board is also currently updating off-site data every other week rather than on a monthly basis.
Franklin Division - Superior Court Department	<ul style="list-style-type: none"> ■ The Court now deposits bails into the State Treasurer's Cash Management System, where interest is earned and paid into the State Treasury.
Hampshire Division - Probate and Family Court Department	<ul style="list-style-type: none"> ■ The Court issued stop-payment orders on outstanding checks of \$1,628 that were over one year old and transferred the funds to the State Treasurer's Unpaid Check Fund.

Initiatives

Listed below are planned and ongoing audit initiatives in the areas of the judiciary and law enforcement:

Comprehensive Financial Audit of the Trial Court System

- This statewide audit will review the Office of the Chief Administrative Justice, its various departments, and the trial courts under its jurisdiction (i.e., district, superior, probate, juvenile, and housing). This top-down approach will help identify major financial and administrative topics for each component of the judicial system so that the OSA may make uniform recommendations that will have a broader and more significant benefit.

Court Facilities

- The OSA is continuing a statewide review of the Commonwealth's court facilities to determine the effect that deterioration and space problems have had on the judicial system. In addition, the OSA will audit the court facilities rental accounts and related accounts of any county, city, or town involved in the state takeover of county facilities, as required by Chapter 203 of the Acts of 1988.

Processing of Civil Motor Vehicle Infractions (CMVIs)

- The OSA is continuing a statewide compliance audit of the systems in place at district courts for processing CMVIs. Prior audit results have indicated that the Commonwealth and its municipalities are being deprived of the timely use of substantial amounts of revenue due them for civil motor vehicle infractions.

Public Counsel Services in Massachusetts

- The audit will review the activities of three state entities that provide public counsel services and legal assistance services to needy Massachusetts citizens: the Committee for Public Counsel Services, the Massachusetts Legal Assistance Corporation, and the Mental Health Legal Advisors Committee. Of particular concern will be billing and payment procedures, appropriate use of state funds, and client assistance practices.
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Audit Results

Inadequate Accounting and Administrative Controls

Adequate accounting and administrative controls help maximize state non-tax revenue collections of accounts receivable and help minimize misuses of state funds. Several reports revealed various accounting, recordkeeping, and other internal control weaknesses. Examples include:

- The Board of Registration in Medicine lacked adequate controls over its revenue. As a result, approximately \$1.1 million of fiscal year 1987 revenue was credited to fiscal year 1988, thereby distorting the Commonwealth's financial records. Due to the untimely transfer of cash receipts to the State Treasurer, contrary to State Comptroller guidelines, the Commonwealth lost over \$14,000 in interest income in fiscal year 1987.
- The Board of Registration in Medicine, because of inadequate recordkeeping, could not be assured that all licenses issued during the audit period were properly accounted for and that applicable receipts were properly deposited and transferred to the State Treasurer.
- The Bureau of State Office Buildings had deficiencies in the maintenance and accountability of its salary advance account, resulting in a deficit balance of \$24,472 as of June 30, 1987. This deficit was caused by untimely deposit of employees' reimbursement checks, salary advances to employees made far in excess of available funds, and a lack of controls to reconcile the advances with the Comptroller's records.
- The Department of Public Safety seriously charged 1986 and 1987 year-end expenses of \$5,447 and \$9,203, respectively, to the wrong fiscal year, thus distorting the Commonwealth's financial records.
- The Executive Office of Consumer Affairs and Business Regulation did not maintain adequate documentation of employee work hours and supervisors did not sign the employees' time sheets. Therefore, there was no control to assure that payroll expenditures reflected the actual hours worked.
- The Division of Standards of the Executive Office of Consumer Affairs and Business Regulation lacked accounting control over license fees. As a result, the Division could not fully account for revenue generated by license fees nor could the Division's income be verified.

Initiatives

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Processing of Civil Motor Vehicle Infractions (CMVIs)

The OSA conducted a compliance audit of the Commonwealth's processing of CMVIs. Prior audit results have indicated that the Commonwealth and its municipalities are being deprived of the timely use of substantial amounts of revenue due them for civil motor vehicle infractions.

In addition to the audit reports previously discussed, 21 other audits of various entities were released during the report period. These audits included 14 state agencies, 5 federally aided EPA construction grants, and 2 statewide reviews.

Public Counsel Services in Massachusetts

state entities that provide assistance services to the Office for Public Counsel Assistance Corporation, and the Public Counsel Committee. Of particular concern will be billing and payment procedures, appropriate use of state funds, and other administrative practices.

Audit Results

Inadequate Accounting and Administrative Controls

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- The Bureau of State Office Buildings had deficiencies in the maintenance and accountability of its salary advance account, resulting in a deficit balance of \$24,472 as of June 30, 1987. This deficit was caused by untimely deposit of employees' reimbursement checks, salary advances to employees made far in excess of available advance funds, and procedures not established to reconcile the salary advance account with the Comptroller's records.
- The Department of Public Safety erroneously charged 1986 and 1987 year-end expenses of \$2,447 and \$9,203, respectively, to the following year's appropriations, thereby distorting the Commonwealth's financial records.
- The Division of Standards of the Executive Office of Consumer Affairs and Business Regulation did not maintain adequate documentation of employee work time, and supervisors did not sign the employees' time sheets. Therefore, there was no control to ensure that payroll expenditures reflected the actual hours worked.
- The Division of Standards of the Executive Office of Consumer Affairs and Business Regulation lacked accounting control over license forms. As a result, the Division could not fully account for revenue generated by license fees, nor could the Division's income be verified.

Inadequate Accounting and Administrative Controls

Continued

- The Massachusetts Arts Lottery Council had inadequate controls over, and maintenance of, payroll records. Specifically, 71% of the compensatory time accrued was unearned, and 22% of the compensatory time taken represented payroll overpayments because wages were collected without proper authorization. Additionally, no supervisory approval signatures appeared on weekly time sheets for two of the four monthly payroll periods reviewed.
- The Military Division of the Executive Department did not maintain adequate controls over revenue. Specifically, the Division was not reconciling income with the Comptroller's records, depositing vending machine commissions into the General Fund, and depositing rental-fee income on a timely basis. Therefore, the Division could not be assured that all of its revenue was being properly credited to its income accounts or deposited with the State Treasurer on a timely basis.
- The Registry of Motor Vehicles did not have a sufficient review process for motor-vehicle and trailer sales-tax collections to ensure that all funds collected were actually transferred to the State Treasurer on behalf of the Department of Revenue.

Inadequate Control over Property and Equipment

OSA audits revealed several instances where control over property and equipment needed improvement in order to ensure the safeguarding of state assets.

- The Board of Registration in Medicine did not adequately safeguard physical property in conformity with State Comptroller guidelines. For example, the listing that the Board maintained did not include new acquisitions, identification numbers, location, and the cost/valuation of equipment. As a result, the potential existed for loss or misuse of property.
- The Division of Capital Planning and Operations (DCPO) of the Department of Administration and Finance did not maintain a comprehensive inventory of the real property owned, rented, or otherwise occupied by public agencies, as required by Section 40K of Chapter 7 of the MGL. As a result, the Commonwealth is unable to determine what real property is available for use or for sale.
- The Division of Standards of the Executive Office of Consumer Affairs and Business Regulation's property and equipment inventory lacked sufficient information to identify and control its equipment and physical property. In addition, the Division did not conduct required physical inventories of its equipment. As a result, the Division could not be assured that its property and equipment were properly safeguarded.

Prior Audit Results: Corrective Actions

- The Massachusetts Arts Lottery Council did not have adequate internal controls over its \$30,000 equipment inventory. Specifically, the Council did not label its equipment with identification numbers; conduct an annual physical property inventory; or maintain adequate, up-to-date equipment inventory records. As a result, the potential existed for loss or misuse of property.
- The Military Division of the Executive Department did not maintain current records of office equipment as required by the State Comptroller's guidelines, with the result that several items of equipment totalling \$1,823 were missing. Also, the Division charged equipment to the Office and Administrative Expenses subsidiary account instead of to the Equipment subsidiary account.

Noncompliance with State and Federal Laws and Regulations

Instances of noncompliance with state and federal statutes and regulations include the following:

- The Department of Public Safety's (DPS) Division of Inspection has been unable to inspect all of the elevators and above-ground storage tanks within its jurisdiction. During fiscal year 1988, the Division did not inspect 3,761 (15%) of the elevators in its jurisdiction, with at least 69 having not been inspected in 2 to 12 years. In addition, during the three years under audit, the Division did not inspect approximately 1,200 (88%) of the above-ground storage tanks in its jurisdiction, with 799 of the total 1,363 tanks having not undergone a DPS inspection in over 9 years. Finally, because of the Division's inaccurate and incomplete inspection and inventory records, it was unable to determine the number of boilers and air tanks which have not been inspected. The Division's inability to inspect these items has diminished its ability to protect the public from potential injuries caused by defective elevators and storage tanks and has prevented the Commonwealth from collecting approximately \$300,000 in revenue from inspection fees for fiscal year 1988.
- The Massachusetts Arts Lottery Council did not comply with bidding requirements promulgated by the State Purchasing Agent and the Office of the State Comptroller. In 6 of 16 cases (38%) in which public bidding was required, the Council did not ask for bids or utilize price agreements with vendors under state contract. Moreover, the Council went against the bidding requirements when it subdivided 18 payments totalling \$7,956 (averaging \$442 per voucher) to one vendor instead of submitting a requisition to the Purchasing Agent for purchases over \$500.

**Noncompliance
with State and
Federal Laws and
Regulations**

Continued

- The Military Division of the Executive Department paid students travel money to attend the state Military Academy. These students are paid federally, however, and federal regulations do not authorize travel. Since these students were not on state duty, this \$16,744 state expenditure was inappropriate.
- The State Office of Minority and Women's Business Assistance (SOMWBA) was deficient in collecting and reporting state agency purchases from certified Minority Business Enterprises (MBEs) as required by Executive Order 237. Issues included questionable accuracy of summary reports produced from state agency purchasing statistics and lack of a comprehensive, centralized data base of certified MBEs within the Massachusetts Management Accounting and Reporting System. In addition, SOMWBA is responsible for the annual recertification of MBEs. However, SOMWBA had performed very few recertifications since 1980. As a result, SOMWBA cannot be assured that a previously certified business remains eligible for program participation.

**Inadequate
Control over the
Commonwealth's
Motor Vehicle
Registration and
License
Revocations**

- The Registry of Motor Vehicles did not maintain adequate insurance records, process insurance-cancellation notices on a timely basis, and recover revoked motor-vehicle registrations from uninsured motorists. As a result, Massachusetts drivers paid an estimated \$4.2 million in unnecessary insurance premiums for the 1987 calendar year; the Commonwealth lost an estimated \$25.75 million in fine revenue in calendar year 1987; and funds available for the Safe Driver Program were reduced by approximately \$2 million annually.
- The Registry of Motor Vehicles, because of staffing shortages, was unable to adequately restrict the driving privileges of those motorists believed to be at fault in fatal automobile accidents. Chapter 90 of the MGL obligates the Registrar to revoke or suspend the driver's license of any motorist believed to be at fault in a fatal accident.

Prior Audit Results: Corrective Actions

A review of prior audit results is an important component of each OSA audit. This follow-up review helps to monitor and to recognize agency compliance with OSA recommendations. Correction, based on OSA recommendations, was taken in the following instances:

Bureau of State Office Buildings

- The Bureau has conducted a complete inventory of all equipment, listed by value, and has also tagged all equipment.
- The Bureau is currently utilizing time clocks it had purchased but could not use as intended because of union rules. The time clocks are being used by the Bureau to monitor the hours of the mechanical and maintenance contractors located at various buildings under its control.

Registry of Motor Vehicles

- The Registry has improved controls for processing and recording bad checks received in transactions through the implementation of a new computerized recordkeeping system.
- The Registry is currently working with the Legislature to amend Chapter 60A of the MGL in order to provide cities and towns with an efficient means to collect past-due motor-vehicle excise taxes and to suspend the licenses of those who do not pay their excise taxes.

Initiatives

The following are among the planned and ongoing initiatives relative to various state entities:

Contractor Claims

- The OSA is continuing to review the systems in place at certain state agencies that deal with construction contracts. Issues that are being examined include: final voucher payments, estimated completion dates, overruns, extra work orders, and change orders.

Deferred Compensation Savings Plan

- The OSA, in conjunction with the Attorney General, the Inspector General, and the Post Audit Committees, will investigate all aspects of the selection process for an administrator of a state-sanctioned retirement or annuity plan and the operation and management of all such plans, including the deferred compensation savings plan.

Depression of Central Artery/Third Harbor Tunnel

- During fiscal year 1990, the OSA will continue field work at the Department of Public Works and the Executive Office of Transportation and Construction to review their plan of action for these major transportation projects. As a result of an initial survey, two separate audits, one of the Central Artery project and one of the Third Harbor Tunnel project, will be conducted. OSA efforts are intended to assist management in keeping the projects on schedule and avoiding unnecessary costs.
- The OSA is a member of a multi-agency group, the purpose of which is to identify and prevent potential waste and abuse during the construction of the above projects as well as the clean-up of Boston Harbor. Other entities in the multi-agency group are the Federal Bureau of Investigation, the Postal Inspection Agency, the State Inspector General Office, the U.S. Attorney's Office, the U.S. Department of Transportation, the U.S. Environmental Protection Agency, and the U.S. Labor Department's Office of Labor Racketeering.

Division of Capital Planning and Operations (DCPO)

- This performance audit survey will concentrate on three issues and will require audit work at other state agencies (e.g., State Comptroller's Office, Governor's Council). The areas being reviewed are the administrative process used for land takings (eminent domain vs. negotiated settlement), DCPO's control and monitoring of rental and lease space, and the selection process for purchasing parcels of land.
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Audit Results

Lottery Commission

- The OSA will conduct an audit survey which will focus on the Commission's procurement practices. The process for awarding, reviewing, and selecting contractors will be examined to determine compliance with applicable laws and regulations, including the selection of the lowest, most qualified bidder.

Single Audit of the Commonwealth

- In fiscal year 1990, and for the subsequent four years, the OSA will be a full partner in performing the "Single Audit of the Commonwealth." The OSA will continue to perform the following audit functions: (1) determining the relationship of Net State Tax Revenues to Allowable Tax Revenues (Tax Cap Determination); (2) reporting on agency compliance with the Comptroller's Official Year-End Closing Instructions For Cash and Revenue Management; (3) reporting on agency compliance with the Comptroller's Official Year-End Closing Instructions For Encumbrance and Advance-Fund Management.
- As a partner in the "Single Audit," the OSA will provide staff resources to audit federal programs to determine whether state agencies are in compliance with applicable federal rules, regulations, and laws. Audit staff will also conduct audit procedures that are needed to render an opinion on the Comprehensive Annual Financial Report, such as verifying certain accounts and documents at several agencies and testing selected financial transactions to determine the accuracy and quality of Generally Accepted Accounting Principles (GAAP) data gathered for the GAAP-based financial statements.

Electronic Data

Processing Audits

Electronic Data Processing Audits

During the report period, the OSA released eight Electronic Data Processing (EDP) audit reports, three of which were integrated audit reports. The audit results included weaknesses in the areas of inventory controls, physical security, and disaster recovery and contingency planning.

Audit Results

Inadequate Control over EDP Inventory

All state owned or leased equipment should be properly tagged and inventory records should reflect assigned tag numbers. In the following instances, inventory controls needed improvement to ensure that data processing equipment was properly accounted for and protected against loss or theft.

- Quincy Housing Authority's fixed asset inventory list was not up-to-date and did not indicate new purchases of personal computers. In addition, there was no documentation to show that an annual physical inventory had been conducted or that pre-numbered identification tags had been attached to each item to accurately identify and control existing equipment. As a result, no accurate method was in place to facilitate reconciliation of inventory or to identify lost and/or stolen equipment.
- Roxbury Community College had not established an EDP inventory as required by the Board of Regents and the State Comptroller's MMARS Policy Manual. By not adhering to these requirements, the College becomes vulnerable to the loss of costly and productive assets.

Inadequate Physical Security Controls

A number of OSA EDP audit reports disclosed the lack of adequate physical security controls to detect or prevent unauthorized access to data centers. Such deficiencies increase the risk that unauthorized persons may gain access to data centers; may cause loss of, or damage to, equipment; or may operate the system to alter, destroy, or steal software or data.

- The Disabled Persons Protection Commission needed to strengthen access security by equipping all computer terminals with a password protection function. It was also recommended that greater security be provided for backup tapes to reduce the risk of potential loss from theft.
- Massachusetts College of Art had certain controls in place but needed improvements such as the addition of intrusion detection devices to protect the data center after normal work hours and written policies and procedures regarding both physical security and the need for users to access the data center.

Inadequate Physical Security Controls

Continued

- Northern Essex Community College had reasonably good physical security controls but lacked written policies and procedures to address physical security. In addition, because of poor ventilation, the only door leading into the computer center was occasionally left open, exposing the center to unauthorized entry; and the door to the data center was made of wood, with a glass panel, rather than of metal. A metal "fire rated" door would help contain a fire as well as reduce the risk of a theft.
- Roxbury Community College needed improvement in its implementation of system security and access controls. In addition, weaknesses were noted in change control procedures. Both areas need to be corrected to ensure program integrity and to prevent unauthorized changes.
- Springfield Housing Authority lacked written policies and procedures regarding data processing security. In addition, protection within the data center was inadequate and placed equipment at risk regarding damage associated with potential water leakage.

Deficiencies in Disaster Recovery and Contingency Planning for EDP Operations

The overall objective of disaster recovery and contingency planning is to ensure continued computer operations for critical services in the event of significant disruptions or loss of processing capabilities. Further objectives of contingency planning are to safeguard data, program codes, critical documentation, and computer services; to ensure employee safety; to minimize security exposures and systems damage; and to reduce the time required to recover from events which could significantly delay or prohibit processing. Examples of deficiencies in this area include:

- Northern Essex Community College did not have disaster recovery procedures and contingency planning for administrative and academic data processing. Users generally had not documented plans to deal with any extended period of computer downtime. As a result, the College could be vulnerable, should significant disruption occur, to loss of processing capabilities, as well as loss of student information records and student financial data.
- Quincy Housing Authority had implemented adequate on-site backup practices but was not storing backup copies of critical programs and data at a secure off-premise location. As a result, the Authority would risk loss of production programs, records, and backup copies, should damage to the system and its related files occur.

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- Roxbury Community College did not have a documented disaster recovery and contingency plan in place for the administrative data processing center. In addition, the College had not designated and approved an alternate processing facility to be used as a backup location for critical processing. As a result, should a disaster occur, the College could be vulnerable to loss of processing capabilities and student information records and financial data.
 - Springfield Housing Authority needed to strengthen its disaster recovery and contingency planning to provide for the replacement of critical functions. Without such planning, a disaster at the Authority's computer center could seriously hinder computer operations, possibly resulting in a loss of data communications capabilities between the various branch sites and the data center.

Unauthorized Use of Licensed and Copyrighted Software

The making of unauthorized copies of licensed and/or copyrighted software violates Office of Management Information Systems policies and procedures, as well as U.S. copyright law. An OSA EDP audit revealed the following instance where an agency inappropriately copied software:

- Quincy Housing Authority's hardware and software inventory revealed that unauthorized copies of licensed and/or copyrighted software were being used. During a review of the documents and software contained on five personal computers, the OSA discovered 16 instances of inappropriate copying of software, involving several software products produced by different vendors. While the OSA does not question the intent of the use of the additional software copies, the Authority may be risking civil law suits charging copyright infringement.

Initiatives

The following is an update of planned OSA initiatives:

Data Processing Survey

- The EDP Audit Section is continuing its data processing (DP) survey of state entities audited by the OSA. The survey solicits information on DP operations at state agencies that fall under the review of the OSA. The DP survey data will provide the OSA with the necessary information to assist in the audit scheduling and planning process. To date, 607 agencies have been contacted with a request to provide information on DP operations, and 319 agencies have completed and returned the surveys. Evaluation of DP survey data continues to provide the OSA with pre-audit information to assist in audit scheduling, planning, and performance.

Integrated Audits

- The EDP Audit Section is currently conducting an integrated audit at the Westfield Housing Authority. In addition, EDP Audit is involved in a joint review (with OSA Audit Operations and the Division of Local Mandates) of special education programs.

Referrals:

Internal Revenue Service & Department of Revenue

Rowley Housing Authority • The Authority did not issue the required Internal Revenue Service (IRS) 1099-MISC income information forms to two tax accountants who, in calendar years 1985 and 1987, were paid \$700 and \$1,500, respectively.

Salisbury Housing Authority • The Authority did not issue the required Internal Revenue Service (IRS) 1099-MISC income information forms to private contractors who, in calendar years 1985 and 1987, were paid \$4,800 and \$4,272, respectively.

Referrals: District Attorney's Office

Amherst Housing Authority • The OSA referred to the Middlesex District - District Attorney's Office information stating that between June 1980 and July 1988, a tenant had improperly received rental subsidies under the state's Rental Assistance Program.

Law Enforcement Requests for Investigations

OSA audits may disclose possible violations of state law, the OSA cooperates with the District Attorney's Office in the investigation of such violations. The OSA also provides information to the District Attorney's Office regarding the results of its investigations.

Bridgewater School Department • The OSA was requested by the District Attorney's Office to investigate the financial propriety of the School Department's expenditures for the purchase of a new building. The OSA conducted an audit of the School Department's financial records and found no irregularities.

Criminal Justice Training Council (CJTC) • The OSA was requested by the District Attorney's Office to investigate the financial propriety of the CJTC's expenditures for the purchase of a new building. The OSA conducted an audit of the CJTC's financial records and found no irregularities.

Worcester County House of Correction • The OSA was requested by the District Attorney's Office to investigate the financial propriety of the House of Correction's expenditures for the purchase of a new building. The OSA conducted an audit of the House of Correction's financial records and found no irregularities.

Initiatives

The following is an update of planned OSA initiatives:

Data Processing Survey

The EDP Audit Section is continuing its data processing (DP) survey of state entities audited by the OSA. The survey solicits information on DP operations at state agencies that fall under the review of the OSA. The DP survey data will provide the OSA with the necessary information to assist in the audit scheduling and planning process. To date, 607 agencies have been contacted with a request to provide information on DP operations, and 319 agencies have completed and returned the surveys. Evaluation of DP survey data continues to provide the OSA with pre-audit information to assist in audit scheduling, planning, and

Enforcement Agencies: Referrals & Requests

OSA audits not only attempt to safeguard the state's assets but to ensure compliance with the laws of the Commonwealth. Because OSA audits may disclose possible violations of state law, the OSA cooperates with various law enforcement agencies such as county District Attorneys, the Department of Public Health and local health authorities, the Secretary of Public Safety's Office of Investigations, the Attorney General's Office, the Office of the Inspector General, and the State Ethics Commission. In addition, the OSA routinely reports violations of income-reporting laws and regulations to the Internal Revenue Service and the Massachusetts Department of Revenue. Finally, during this report period, the OSA was asked by several law enforcement agencies to provide technical assistance during specific investigations.

Referrals:

Internal Revenue Service & Department of Revenue

Rowley Housing Authority

- The Authority did not issue the required Internal Revenue Service (IRS) 1099-MISC income information forms to two fee accountants who, in calendar years 1986 and 1987, were paid \$700 and \$1,500, respectively.

Salisbury Housing Authority

- The Authority did not issue the required Internal Revenue Service (IRS) 1099-MISC income information forms to private contractors who, in calendar years 1986 and 1987, were paid \$4,800 and \$4,272, respectively.

Referrals: District Attorney's Office

Amherst Housing Authority

- The OSA referred to the Northwestern District - District Attorney's Office information stating that between June 1980 and July 1986, a tenant had inappropriately received rental subsidies under the state's Rental Assistance Program.

Law Enforcement Requests for Special Investigations

Below are several requests for special assistance that came to the OSA during the report period or were completed during the period. It is important to note that it is inappropriate at this time for the OSA to comment in detail on any ongoing investigation.

Bridgewater School Department

- The OSA is assisting the Plymouth County District Attorney's Office in an ongoing investigation of alleged financial improprieties at the School Department.

Criminal Justice Training Council (CJTC)

- In conjunction with the Attorney General's Office, the OSA is reviewing the books and records of the CJTC as part of an ongoing investigation of alleged financial and other improprieties at the CJTC.

Worcester County House of Correction

- At the request of the Worcester County District Attorney's Office, the OSA is currently reviewing the possible misappropriation of funds at the House of Correction.

Division of Local Mandates

The Division of Local Mandates (DLM) was created by Proposition 2 1/2 to help ensure that no cost obligations are passed on to cities and towns by the Commonwealth through new state-mandated programs without state funding. The primary function of DLM is to conduct impartial reviews and cost determinations of any law or regulation passed after January 1, 1981 and also of pending legislation. (For a listing of DLM determinations and cost studies for the period of January 1989 to June 1989, see Appendix II, page 77.)

In addition to making mandate decisions, DLM dedicated its resources to cost determinations; legislative studies; and reviews, under the Sunset Law, C. 126 of the Acts of 1984, of pre-1981 laws and regulations having a significant financial impact on cities and towns.

Legislative Studies

One of the major priorities of DLM has been to establish a responsive Legislative Review Program to analyze pending legislation and provide assistance to the Legislature on mandate-related issues. To ensure that the mandate implications of legislation were considered by the General Court, DLM reviewed thousands of bills, prepared preliminary cost studies when appropriate, and contacted members of the Legislature to make them aware of DLM concerns.

In addition, DLM received requests for assistance from individual legislators, legislative committees, municipalities, and government associations. DLM assistance, through cost determinations, resulted in its recommendations being incorporated into a wide variety of bills. The following are examples of legislative proposals for which financial impact reviews were provided:

Banks and Banking Legislation

House Bills 529, 1998, and 5335

At the request of Senator John P. Burke and Representative Thomas M. Finneran, Chairmen, Joint Committee on Banks and Banking, the Division reviewed House 529 and 5335, Acts Regulating the Amount of Interest Paid by Mortgagees on Certain Real Estate Tax Deposits, and House 1998, An Act Relative to the Payment of Interest on Certain Real Estate Deposits.

Each of these bills would require mortgagees to pay set rates of interest on real estate taxes held in escrow. Currently, such rates are determined by the mortgagee. In addition, each of these bills would require interest to be paid or credited to the account of the mortgagor twice per year instead of the current annual requirement.

Although each of these legislative proposals would have a fiscal impact on mortgagors and mortgagees, DLM reported that since there are no requirements which would impose an additional cost obligation upon cities and towns, funding would not be necessitated.

Status: The Committee was due to report on these bills on September 13, 1989.

Status: This bill was redrafted and is now House 5513, which was reported favorably by the House Committee on Education and sent to the House Ways & Means Committee.

House 4446 and 4635

Senator John P. Burke and Representative Thomas M. Finneran, Chairmen, Joint Committee on Banks and Banking, requested a review of House 4446, An Act Regulating Payment of Real Estate Taxes, and House 4635, An Act Regarding the Payment of Real Estate Taxes by Mortgages.

Both bills would expedite collection of prepaid property taxes held by mortgagees. House 4446 would require mortgagees (banks and finance companies) to pay the full amount collected from mortgagors at least three days before the tax obligation became due. House 4635 would require payment at least 15 days before taxes were due.

These bills would not impose an additional service or cost obligation on any city or town. Rather, enactment of either bill would tend to improve the cash flow of municipal governments. Also, there would be a slight decrease in the amount of interest paid by mortgagees to mortgagors under G.L. c. 183, s. 61.

Status: The Committee was due to report on these bills on September 13, 1989.

Education Legislation

House 5546

Senator William B. Golden requested a review of Senate 282, An Act Providing for School-Based Community Service Opportunities. The bill was redrafted and is now House 5546.

House 5546 would require all public high schools to provide every student an opportunity for school-based community service. Although details would depend greatly upon the guidelines to be developed by the Department of Education, the Division believes that mandated costs would result from this program in the areas of counseling students; inventorying opportunities; placing students; monitoring attendance; providing liaison time; processing student progress reports; and providing transportation.

Status: After being engrossed in the House of Representatives, the bill was sent to Senate Ways & Means.

Human Services Legislation

Senate 631

At the request of Representative Paul Kollios, House Chairman of the Joint Committee on Human Services, DLM reviewed Senate 631, An Act Governing the Maintenance of Lock-Ups.

This bill would require feeding detainees at specific times and maintaining a record of such feedings. DLM's position is that the Constitutions of the United States and the Commonwealth already require detainees to be provided nutritionally adequate food. This provision was established before Proposition 2 1/2 and would, therefore, not be a new mandate.

DLM reported to the Committee that to the extent these additional recordkeeping requirements impose more than incidental costs upon cities and towns, they would be subject to the local mandate law.

Status: Senate 631 was redrafted as Senate 1862, and all mandate concerns were addressed. The bill was ordered to a third reading in the House of Representatives, as of the publication of this report.

House 3413, Section 9

Representative Joan Menard petitioned the Division to review the redraft of House 3413, Section 9, An Act Further Regulating Child Care in the Commonwealth.

Section 9 would classify all real property used for a child care facility as residential, and, therefore, any municipality which has adopted tax classification (G.L. c. 59, s. 38) would be required to apply the lower residential rate for this property use.

DLM determined that Section 9 of the proposed redraft would not result in a current loss of property taxes. Existing tax levy requirements, contained in G.L. c. 59, s. 21c, that deal with property value set limitations on the total property tax revenue which may be collected and not on the distribution of the tax burden accomplished by tax classification. By designating a specific tax rate for property used for child care, a municipality would then make up any loss by capturing that amount from other classes of property. In other words, there would be no adverse effect on a municipality's total revenue capacity, merely a shift in the tax burden.

Status: This bill was redrafted and is now House 6513, which was reported favorably by the House Committee on Education and sent to the House Ways & Means Committee.

Local Affairs Legislation

Senate 1064

The Division was petitioned by Representative Christopher J. Hodgkins regarding Senate 1064, An Act to Implement Animal Control Officer Training.

This bill would require municipal animal control officers to be trained and certified under the direction of the Criminal Justice Training Council. The Division determined that this legislation would impose additional costs upon cities and towns. The Division consulted with the Animal Control Officers Association of Massachusetts and, based on cost data and information provided by them, has estimated that first year statewide municipal costs would total \$283,920.

Status: The Committee on Local Affairs reported unfavorably on this legislation. The report was accepted by the Legislature, thereby defeating the bill for the session.

State Administration Legislation

Senate 1394

Senator John P. Houston requested that the Division review Senate 1394, An Act Requiring that Cities, Towns, and Other Political Subdivisions Pay Interest on Certain Unpaid Bills.

This bill would establish specific time requirements for payment provisions on certain municipal contracts for the purchase of goods and services and would require municipalities to pay interest on overdue accounts. This proposal would impose a new cost obligation upon cities and towns and, therefore, would be subject to the local mandate law. The cost obligation comes in the form of interest on overdue bills. Currently, cities and towns are only obligated to pay interest penalties on certain types of contracts and for those contracts in which municipalities agree to pay interest on overdue accounts.

Status: The Committee on State Administration reported unfavorably on this legislation. The report was accepted by the Legislature, thereby defeating the bill for the session.

Taxation Legislation

House 4789 Chairman John H. Flood, House Committee on Taxation, petitioned the Division to review House 4789, An Act Allowing for the Deduction of Medical Expenses When Determining Gross Receipts for the Property Tax Deferral Program.

This proposed legislation would allow medical expenses of an applicant and spouse to be deducted from gross income as a means of qualifying for such a property tax deferral. Since this remains a deferral and not a property tax exemption, which is specifically covered under the local mandate law, there would be no loss of taxes resulting from the deferral. Furthermore, because property owners who are granted such deferrals are ultimately required to pay interest for the entire time period of such deferral, there would be no cost to the municipality. Therefore, this legislation would not impose additional costs on cities and towns.

Status: This bill was ordered to a third reading in the House of Representatives.

Sunset Reviews

DLM's mission was expanded in 1984 with the passage of the Sunset Review Law. This law requires DLM to periodically review any state law or regulation that has a significant financial impact on cities and towns, and to make recommendations to the Legislature for the continuation, amendment, or abolishment of the law or regulation. During this report period, DLM has been engaged in a major, comprehensive review of Chapter 766, the Commonwealth's Special Education Law. This review, which is being conducted with the assistance of the OSA's Audit Operations and EDP unit, is detailed below.

Special Education Law (Chapter 766)

The ongoing review of special education has focused on a variety of special education issues including the Department of Education's (DOE) role in monitoring special education, mainstreaming, transportation, out-of-district placements, rate setting, and tuition. This review has included field work at DOE, at the regional offices of DOE, and at the Rate Setting Commission.

In addition, DLM has developed and distributed two field surveys designed to gather data on special education programs, one to each local school district and the other to each educational collaborative in the state. DLM is collecting additional data by field visits to a number of the collaboratives and to private residential programs.

DLM plans to make recommendations to the Legislature during the 1990 session that will result in a more efficient and economic operation of Chapter 766 while assuring continued delivery of essential services.

House 4 An Act Further Defining the Duties of the Department of the State Auditor

This bill would provide for a technical redraft of Section 13 of Chapter 11 of the MCL, the enabling statute of the Office of the State Auditor. The primary intent of the bill is to update obsolete or confusing language, such as incorrect department titles and changes that are confusing or no longer applicable. The legislation would also codify the current practice of conducting audits in accordance with recognized professional standards (Generally Accepted Government Auditing Standards) and, in addition, would authorize the Office of the State Auditor to audit accounts, programs, and activities funded by state grants.

H.4 has been engrossed in House and is currently pending before the Senate Ways and Means Committee.

House 5 An Act Relative to Improving the Internal Controls Within State Agencies

This bill would help to ensure uniform accounting and reporting practices in the Commonwealth by establishing internal control standards for state agencies. These standards would define the minimum requirements for administrative functions and would provide the basis for audit evaluation and corrective action. This legislation was originally drafted in response to repeated audit findings of weaknesses in internal controls within state agencies. More recently, the GSA's Report on the Controlling and Monitoring of Non-Tax Revenue was drafted as part of an integral control framework to improve the financial management practices of the Commonwealth.

H.5 has been engrossed in House and is currently pending before the Senate Ways and Means Committee.

The legislative package developed and presented to the Legislature by the OSA addresses significant audit results and, additionally, seeks to increase the efficiency and effectiveness of audit operations. The package therefore complements aggregate audit recommendations by suggesting corrective actions in a comprehensive and useful manner.

What follows is a summary of bills introduced in the 1999 legislative session and a review of the progress of each bill to date.

Sunset Reviews

DLM's mission was expanded in 1984 with the passage of the Sunset Review Law. This law requires DLM to periodically review any state law or regulation that has a significant financial impact on cities and towns, and to make recommendations to the Legislature for the continuation, amendment, or abolishment of the law or regulation. During this report period, DLM has been engaged in a major, comprehensive review of Chapter 766, the Commonwealth's Special Education Law. This review, which is being conducted with the assistance of the OSA's Audit Operations and EDF unit, is detailed below.

Special Education Law (Chapter 766)

The ongoing review of special education has focused on a variety of special education issues including the Department of Education's (DOE) role in monitoring special education, mainstreaming, transportation, out-of-district placements, rate setting, and tuition. This review has included field work at DOE, at the regional offices of DOE, and at the Rate Setting Commission.

In addition, DLM has developed and distributed two field surveys designed to gather data on special education programs, one to each local school district and the other to each educational collaborative including private residential programs. DLM is seeking additional data by field visits to a number of private residential programs. Recommendations to the Legislature during the 1989 legislative session will be more efficient and economic delivery of special education services.

Office of the State Auditor: Legislative Agenda

The legislative package developed and presented to the Legislature by the OSA addresses significant audit results and, additionally, seeks to increase the efficiency and effectiveness of audit operations. The package, therefore, complements aggregate audit recommendations by suggesting corrective actions in a comprehensive and useful manner.

What follows is a summary of bills introduced in the 1989 legislative session and a review of the progress of each bill to date.

House 4 An Act Further Defining the Duties of the Department of the State Auditor

This bill would provide for a technical redraft of Section 12 of Chapter 11 of the MGL, the enabling statute of the Office of the State Auditor. The primary intent of the bill is to update obsolete or confusing language, such as incorrect department titles and charges that are confusing or no longer applicable. The legislation would also codify the current practice of conducting audits in accordance with recognized professional standards (Generally Accepted Government Auditing Standards) and, in addition, would authorize the Office of the State Auditor to audit accounts, programs, and activities funded by state grants.

H.4 has been engrossed in the House and is currently pending before the Senate Ways and Means Committee.

House 5 An Act Relative to Improving the Internal Controls Within State Agencies

This bill would help to ensure uniform accounting and reporting practices in the Commonwealth by establishing internal control standards for state agencies. These standards would define the minimum quality level of operational and administrative functions and would provide the basis for periodic evaluation and corrective action. This legislation was originally filed in response to repeated audit findings of insufficient internal controls within state agencies. More recently, the OSA's Report on the Controlling and Monitoring of Non-Tax Revenue recommended enactment of an internal control statute as part of a comprehensive effort to improve the fiscal management practices of the Commonwealth.

H.5 has been engrossed in the House and is currently pending before the Senate Ways and Means Committee.

House 6 An Act Extending the Reporting Date for the Filing of Certain Financial Statements

This bill would extend by approximately one month the length of time allowed to the Commissioner of Revenue and, by five weeks, the length of time allowed to the State Auditor to fulfill their responsibilities relative to the tax limitation provisions of Chapter 62F of the Massachusetts General Laws. This time frame is more reasonable and less likely to drain resources from other agency tasks. In addition, easing time constraints in a limited way would not adversely affect the return of money under the Tax Cap because revenues determined to exceed the Cap are not returned to taxpayers until the following calendar year.

H.6 has been engrossed in the House and is currently pending before the Senate Ways and Means Committee.

House 7 An Act Requiring State Agencies to Notify the Division of Local Mandates of Proposed Regulations Imposing Costs on Cities and Towns

This bill would help to identify proposed state regulations which impose additional costs on cities and towns. It would also provide that the Division of Local Mandates (DLM), when requested to do so by an administrative agency, assist in determining the financial effect of any proposed regulation. The legislation would neither grant any approval authority to the DLM nor otherwise lengthen the process of rule making set by the Administrative Procedures Act. Its aim is to ensure that agencies formally consider the local financial impact of new regulations.

H.7 has been engrossed in the House and is currently pending before the Senate Ways and Means Committee.

House 9 An Act Authorizing the State Auditor to Audit Private Foundations of Institutions of Higher Education

This bill would authorize the State Auditor to conduct audits of so-called "private" institutions, foundations, or organizations established or controlled by a state college or university. A foundation is closely associated with a public institution of higher education, particularly through use of the name of the school. In many instances, the foundation also employs members of the school and

receives money from, as well as disburses money to, the college or university. The intent of this legislation is to ensure that these foundations are subject to the same financial monitoring as other college trust fund activities.

H.9 was reported out favorably by the Committee on State Administration and is currently pending before the House Ways and Means Committee.

House 10

An Act Providing for the Deposit of Unclaimed Money with the State Treasurer

This bill, filed jointly with the State Treasurer's Office, would create a centralized fund in the State Treasurer's Office that would serve as a repository for unclaimed funds currently held by the probate courts. This bill, which was filed in response to audit results indicating a need for improved control over, and management of, these funds, provides that the Treasurer's Office establish a statewide program designed to locate missing beneficiaries and to invest any abandoned monies to maximize interest income.

H.10 was reported out favorably by the Committee on the Judiciary and is currently pending before the House Ways and Means Committee.

House 5818

An Act Relative to the Commonwealth's Contract Debarment Process

This bill would provide for a comprehensive redraft of Section 44C of Chapter 149 of the MGL, the statute that authorizes and outlines the Commonwealth's debarment process. The State Auditor, in his capacity as a member of the Inspector General Council, has recommended four initiatives that would improve the timeliness and overall effectiveness of the debarment process: authorization to suspend contractors, improvement in the timeliness of hearings, an increase in the potential severity of penalties, and a lessening of the standard of proof.

H.5818 has been engrossed in the House and is currently pending before the Senate Ways and Means Committee.

Private Occupational Schools: Financial Evaluations

Chapters 75C, 75D, and 93 of the Massachusetts General Laws require the Office of the State Auditor to annually evaluate the financial position of all applicants for licensure or registration as private business, trade, or correspondence schools. These student-protection statutes were enacted to ensure that occupational schools requesting licensure or registration from the Department of Education are financially, as well as academically, qualified to operate in Massachusetts.

Educational institutions, determined by the OSA to be financially responsible, must then secure a bond in the amount recommended by the Office of the State Auditor. These tuition-compensation bonds allow students to recover damages resulting from fraud, misrepresentation of student recruitment, or breach of contract.

As of June 30, 1989, there were 136 private occupational schools on the OSA's active file, representing its approval of the annual financial applications filed by 80 business schools, 49 trade schools, and 7 correspondence schools.

During the period of this report, 3 prospective new schools were determined to be financially qualified for original licensure or registration, while 2 schools were removed from the active file. A total of 43 financial evaluations for both currently active and prospective new schools were approved by the OSA as follows:

OSA Financial Evaluations January 1, 1989 through June 30, 1989		Chapter 75D Business Schools	Chapter 93 Trade Schools	Chapter 75C Correspondence Schools	Total
	January	5	1	0	6
	February	6	6	0	12
	March	7	3	1	11
	April	8	4	1	13
	May	0	0	0	0
	June	1	0	0	1
	TOTAL	27	14	2	43

Private Occupational Schools: Financial Evaluations

The purpose of this report is to provide a financial evaluation of private occupational schools. The report is based on data collected from a survey of 100 private occupational schools. The survey was conducted by the U.S. Department of Education, Office of Education Policy and Research, in 1981. The report provides information on the financial status of these schools, including their assets, liabilities, and net worth. It also provides information on the schools' operating expenses and their sources of revenue. The report is intended to provide a basis for understanding the financial health of private occupational schools and for making decisions about their future.

OSA Financial
Evaluations
January 1, 1982
through
June 30, 1982

Chapter 150 Consequence Schools	Chapter 150 Schools	Total
0	0	0
0	0	0
1	1	1
1	1	1
0	0	0
0	0	0
2	2	2
43	43	43

ISSUE DATE	AUDIT NUMBER	AUDIT TITLE	AUDIT DATE	ISSUE DATE
02/12	88-002-1	1. American Housing Administration	0-002-01	02/12
03/12	88-002-2	2. American Housing Administration	1-007-02	03/12
04/12	88-002-3	3. American Housing Administration	2-117-03	04/12
05/12	88-002-4	4. American Housing Administration	3-002-04	05/12
06/12	88-002-5	5. American Housing Administration	4-002-05	06/12
07/12	88-002-6	6. American Housing Administration	5-002-06	07/12
08/12	88-002-7	7. American Housing Administration	6-002-07	08/12
09/12	88-002-8	8. American Housing Administration	7-007-08	09/12
10/12	88-002-9	9. American Housing Administration	8-007-09	10/12
11/12	88-002-10	10. American Housing Administration	9-007-10	11/12
12/12	88-002-11	11. American Housing Administration	10-007-11	12/12
01/13	88-002-12	12. American Housing Administration	11-002-12	01/13
02/13	88-002-13	13. American Housing Administration	12-002-13	02/13
03/13	88-002-14	14. American Housing Administration	1-002-14	03/13
04/13	88-002-15	15. American Housing Administration	2-002-15	04/13
05/13	88-002-16	16. American Housing Administration	3-002-16	05/13
06/13	88-002-17	17. American Housing Administration	4-002-17	06/13
07/13	88-002-18	18. American Housing Administration	5-002-18	07/13
08/13	88-002-19	19. American Housing Administration	6-002-19	08/13
09/13	88-002-20	20. American Housing Administration	7-002-20	09/13
10/13	88-002-21	21. American Housing Administration	8-002-21	10/13
11/13	88-002-22	22. American Housing Administration	9-002-22	11/13
12/13	88-002-23	23. American Housing Administration	10-002-23	12/13
01/14	88-002-24	24. American Housing Administration	11-002-24	01/14
02/14	88-002-25	25. American Housing Administration	12-002-25	02/14
03/14	88-002-26	26. American Housing Administration	1-002-26	03/14
04/14	88-002-27	27. American Housing Administration	2-002-27	04/14
05/14	88-002-28	28. American Housing Administration	3-002-28	05/14
06/14	88-002-29	29. American Housing Administration	4-002-29	06/14
07/14	88-002-30	30. American Housing Administration	5-002-30	07/14
08/14	88-002-31	31. American Housing Administration	6-002-31	08/14
09/14	88-002-32	32. American Housing Administration	7-002-32	09/14
10/14	88-002-33	33. American Housing Administration	8-002-33	10/14
11/14	88-002-34	34. American Housing Administration	9-002-34	11/14
12/14	88-002-35	35. American Housing Administration	10-002-35	12/14
01/15	88-002-36	36. American Housing Administration	11-002-36	01/15
02/15	88-002-37	37. American Housing Administration	12-002-37	02/15
03/15	88-002-38	38. American Housing Administration	1-002-38	03/15
04/15	88-002-39	39. American Housing Administration	2-002-39	04/15
05/15	88-002-40	40. American Housing Administration	3-002-40	05/15

Appendix I

Audit Reports Issued

Authority Audits

AUDIT	AUDIT NUMBER	ISSUE DATE
1. Acushnet Housing Authority	88-592-1	03/22
2. Amherst Housing Authority	89-3295-8	02/24
3. Attleboro Redevelopment Authority	89-604-2	05/24
4. Auburn Housing Authority	89-3337-8	06/14
5. Avon Housing Authority	89-3341-8	06/14
6. Bedford Housing Authority	88-608-1	02/16
7. Billerica Housing Authority	89-3315-8	05/22
8. Bourne Housing Authority	89-3292-8	01/27
9. Brockton Redevelopment Authority	89-3296-1	01/13
10. Chicopee Housing Authority	89-3343-8	06/28
11. Cohasset Housing Authority	89-636-1	03/31
12. Concord Housing Authority	89-3316-8	05/17
13. Danvers Housing Authority	89-3320-8	06/07
14. Dedham Housing Authority	89-3304-8	03/28
15. Duxbury Housing Authority	89-3326-8	03/31
16. Easton Housing Authority	89-3285-8	02/24
17. Fairhaven Housing Authority	89-651-1	04/24
18. Fall River Housing Authority	89-3293-8	02/22
19. Fall River Line Pier, Inc.	89-504-1	06/16
20. Fall River Redevelopment Authority	88-653-1	06/09
21. Falmouth Housing Authority	89-3319-8	05/12
22. Foxborough Housing Authority	89-657-1	03/22
23. Franklin County Regional Housing Authority	89-3309-8	06/30
24. Gardner Housing Authority	89-3335-8	04/27
25. Gardner Redevelopment Authority	89-663-2	04/27
26. Gloucester Housing Authority	89-3317-8	06/30
27. Greater Lawrence Sanitary District	89-582-6	03/03
28. Hanover Housing Authority	89-1288-6	03/22
29. Haverhill Housing Authority	89-3256-8	02/24
30. Holbrook Housing Authority	89-3332-8	04/14
31. Hull Redevelopment Authority	89-684-2	05/24
32. Ipswich Housing Authority	89-3305-8	03/23
33. Lee Housing Authority	89-690-1	01/20
34. Lexington Housing Authority	89-3325-8	05/18
35. Lunenburg Housing Authority	89-698-1	05/22
36. Manchester Housing Authority	89-703-1	01/31
37. Mansfield Housing Authority	89-704-1	03/29
38. Mashpee Housing Authority	89-707-1	01/26
39. Mass Education Loan Authority	89-1301-6	05/24
40. Mass Health & Educational Facilities	89-41-3	03/16

Judiciary/Law Enforcement Audits

ISSUE DATE	AUDIT NUMBER	AUDIT	AUDIT NUMBER	ISSUE DATE
06/00	88-508-5	41. Massachusetts Port Authority	88-508-5	04/28
02/18	89-709-1	42. Mattapoisett Housing Authority	89-709-1	03/03
02/00	89-714-2	43. Medway Housing Authority	89-714-2	01/17
02/00	89-3294-8	44. Melrose Housing Authority	89-3294-8	01/27
02/00	89-3328-8	45. Merrimac Housing Authority	89-3328-8	04/19
02/00	89-3306-8	46. Methuen Housing Authority	89-3306-8	03/23
02/00	89-722-2	47. Milford Housing Authority	89-722-2	02/17
02/00	87-727-1	48. Montague Housing Authority	87-727-1	03/23
02/00	89-733-2	49. New Bedford Redevelopment Authority	89-733-2	05/24
02/00	89-736-6	50. Newton Housing Authority	89-736-6	02/24
02/00	89-3297-8	51. North Reading Housing Authority	89-3297-8	05/30
02/00	89-3301-8	52. Northampton Housing Authority	89-3301-8	04/21
02/00	88-3324-8	53. Oxford Housing Authority	88-3324-8	04/14
02/00	88-754-1	54. Peabody Housing Authority	88-754-1	06/30
02/00	89-3347-8	55. Pittsfield Housing Authority	89-3347-8	06/30
02/00	89-761-2	56. Plymouth Redevelopment Authority	89-761-2	05/24
02/00	89-3353-8	57. Quincy Housing Authority (EDP Audit Integrated)	89-3353-8	06/30
02/00	89-3353-4I	58. Quincy Housing Authority (EDP Audit)	89-3353-4I	06/30
02/00	89-903-1	59. Raynham Housing Authority	89-903-1	03/16
02/00	88-3251-8	60. Revere Housing Authority	88-3251-8	03/22
02/00	89-3338-8	61. Rockport Housing Authority	89-3338-8	06/14
02/00	89-768-1	62. Rowley Housing Authority	89-768-1	02/27
02/00	88-834-1	63. Salisbury Housing Authority	88-834-1	03/23
02/00	89-3330-8	64. Scituate Housing Authority	89-3330-8	05/04
02/00	89-775-1	65. Sharon Housing Authority	89-775-1	02/17
02/00	89-776-1	66. Shrewsbury Housing Authority	89-776-1	01/24
02/00	89-777-1	67. Somerset Housing Authority	89-777-1	02/23
02/00	88-782-1	68. South Hadley Housing Authority	88-782-1	04/28
02/00	89-3323-8	69. Southbridge Housing Authority	89-3323-8	05/30
02/00	88-3268-8	70. Springfield Housing Authority (EDP Audit Integrated)	88-3268-8	01/27
02/00	89-787-1	71. Sterling Housing Authority	89-787-1	04/27
02/00	89-788-1	72. Stoneham Housing Authority	89-788-1	01/26
02/00	89-3321-8	73. Stoughton Housing Authority (EDP Audit Integrated)	89-3321-8	04/21
02/00	89-793-1	74. Swansea Housing Authority	89-793-1	05/16
02/00	89-795-2	75. Taunton Redevelopment Authority	89-795-2	05/24
02/00	88-6010-9	76. University of Lowell Building Authority	88-6010-9	04/28
02/00	88-207-7	77. University of Lowell Building Authority	88-207-7	05/26

Authority Audits

ISSUE DATE	AUDIT NUMBER	AUDIT	AUDIT NUMBER	ISSUE DATE
06/18	89-3350-8	78. Wakefield Housing Authority	89-3350-8	06/30
03/16	89-3307-8	79. Ware Housing Authority	89-3307-8	03/16
02/28	89-3278-8	80. Wayland Housing Authority	89-3278-8	02/28
03/08	88-3303-8	81. West Springfield Housing Authority	88-3303-8	03/08
02/08	89-809-1	82. Westborough Housing Authority	89-809-1	02/08
03/03	89-813-1	83. Westport Housing Authority	89-813-1	03/03
05/24	89-816-2	84. Weymouth Redevelopment Authority	89-816-2	05/24
04/27	89-817-1	85. Whitman Housing Authority	89-817-1	04/27
03/28	89-3308-8	86. Williamstown Housing Authority	89-3308-8	03/28
03/31	89-3313-8	87. Winchester Housing Authority	89-3313-8	03/31
06/16	89-825-2	88. Worcester Housing Authority	89-825-2	06/16
03/08	89-827-1	89. Wrentham Housing Authority	89-827-1	03/08

Education Audits

02/23	88-177-9	1. Bridgewater State College Student Financial Assistance	88-177-9	02/23
06/20	89-193-1	2. Cape Cod Community College	89-193-1	06/20
06/23	89-181-4C	3. Mass College of Art (EDP Audit)	89-181-4C	06/23
03/15	88-182-9	4. Mass Maritime Academy Student Financial Assistance	88-182-9	03/15
02/23	88-200-9	5. Mt. Wachusett Community College Student Financial Assistance	88-200-9	02/23
06/06	89-201-4C	6. Northern Essex Community College (EDP Audit)	89-201-4C	06/06
06/01	89-204-9	7. Roxbury Community College (EDP Audit)	89-204-9	06/01

Human Services Audits

04/21	88-4013-3	1. Architectural Access Board	88-4013-3	04/21
03/10	88-244-1	2. Belchertown State School	88-244-1	03/10
05/08	89-4011-3	3. Disabled Persons Protection Commission (EDP Audit)	89-4011-3	05/08
05/15	88-64-1	4. Holyoke Soldier's Home	88-64-1	05/15
04/18	89-863-1	5. Irving Glavin Regional Center	89-863-1	04/18
01/31	88-263-1	6. Northampton State Hospital	88-263-1	01/31
06/29	89-4005-3	7. Transportation Resources Initiative Project, Inc.	89-4005-3	06/29
02/16	88-1262-1	8. W. C. Gaebler Children's Center	88-1262-1	02/16

Judiciary/Law Enforcement Audits

AUDIT	AUDIT NUMBER	ISSUE DATE
1. Boston Juvenile Court	87-1241-1	04/13
2. Commission on Judicial Conduct	88-1129-1	04/18
3. Criminal History Systems Board	88-857-1	04/28
4. Franklin County Probate & Family Court	89-1228-1	02/28
5. Franklin County Superior Court	89-1116-1	04/27
6. Hampden County Probate & Family Court	89-1225-1	03/03
7. Hampshire County Probate & Family Court	89-1226-1	05/19
8. Hampshire County Superior Court	89-1114-1	03/28
9. Worcester County District Attorney's Office	89-1262-1	02/08
10. Worcester District Court	88-1178-1	05/19

Other Audits

1. Board of Library Commissioners	89-165-1	02/23
2. Board of Registration in Medicine	88-117-1	03/23
3. Bureau of State Office Buildings	88-26-1	04/27
4. Chapter 164 Special Legislative Report (SOMWBA)	89-5009-3	01/01
5. DCPO Surplus State Land	89-5008-3	06/30
6. Dept. of Public Safety	88-4017-3	06/30
7. Division of Marine Fisheries (EDP Audit)	89-0282-4C	06/23
8. Division of Standards	87-226-1	04/13
9. Mass Arts Lottery Council	88-1282-1	02/28
10. Mass Centers for Excellence Corporation	89-1318-6	03/22
11. Mass Commission Against Discrimination	88-45-3	01/31
12. Merit Rating Board	89-906-1	06/16
13. Military Division	88-57-1	03/10
14. Office of the Inspector General	89-1052-1	04/18
15. Palmer EPA Construction Grant	88-3280-1	04/14
16. Palmer EPA Construction Grant	88-3283-1	04/14
17. Registry of Motor Vehicles	88-511-7	05/15
18. Rockland EPA Construction Grant	88-3281-1	05/12
19. Rockland EPA Construction Grant	88-3284-1	06/14
20. State Funding of Federally Reimbursable Programs	88-5009-9	03/29
21. Tewksbury EPA Construction Grant	88-3282-1	05/30

Appendix II

Division of Local Mandates: Determinations & Cost Studies

LAW, RULE, REGULATION, OR LEGISLATION	ISSUE
G.L. C. 21G, SS. 15 and 17: The Massachusetts Water Management Act	Department of Environmental Protection Order to Install Water Metering on All Water Users
Chapter 23, Section 46, Acts of 1988	Requirement Mandating Municipalities to Make Annual Unemployment Health Insurance Contributions to the Medical Security Trust Fund
Senate No. 1064	An Act to Implement Animal Control Officer Training
House No. 5300	An Act Providing for the Creation of the Cape Cod Commission
527 CMR 10.11	Regulations Requiring Municipal Fire Departments to Approve Fire Education Plans and Conduct Quarterly Fire Drills at Elderly Housing Complexes
Senate No. 1394	An Act Requiring Cities and Towns to Pay Interest on Certain Unpaid Bills
House No. 5546	An Act Providing for School-Based Community Service Opportunities
310 CMR 7.24 (6)	Stage II Gasoline Vapor Recovery Program
House Nos. 529, 1998 and 5335	Legislation to Require Mortgagees to Pay Set Rates of Interest on Real Estate Taxes Held in Escrow
House No. 4789	An Act Allowing for the Deduction of Medical Expenses When Determining Gross Receipts for the Property Tax Deferral Program
House No. 3413, Redraft Section 9	Proposal to Classify Real Property Used for Child Care Facilities as Residential
Article 20, State Board of Building Regulations and Standards	Energy Conservation Regulations
310 CMR 56.00	Regulations Relative to Solid Waste Transfer Stations
G.L. C.253, SS.44-47	Safety of Reservoirs and Dams Requirement
310 CMR 7.15	Regulations Relative to Removing and Disposing of Asbestos-Containing Material During Demolition and Renovation Operations
Asbestos Hazard Emergency Response Act (AHERA) (PL 99-519)	Removal of Asbestos from Public Schools Act

RESULT	FUNDING
Mandate	\$2,076,800 in Deficiency, Contacted Department of Environmental Protection for State Funding Commitment
Mandate, Statewide Cost Estimate for Joint Committee on Health Care	Statewide Cost Estimate of \$3,156,859
Mandate, Statewide Cost Estimate for Committee on Local Affairs	\$283,920 First Year and \$26,000 Subsequent Year Statewide Cost Estimates
Mandate, Effecting Barnstable County Municipalities	\$103,109 County-Wide Cost Estimate
Mandate, Awaiting Cost Documentation; Advised Executive Office of Public Safety of Mandate Concerns	\$43,000 Cost Imposed on City of Boston; Upon Cost Certification, Deficiency Determination Will Be Issued
Mandate, Potential to Impose Costs	Submitted Mandate Determination for Legislative Consideration
Mandate, Potential to Impose Costs	Submitted Determination for Legislative Consideration
Mandate, Submitted Comments to Department of Environmental Protection	Discussed Applicability of Local Mandate Law with Department of Environmental Protection and Offered Regulatory Remedy
No Mandate, No Local Fiscal Impact	Submitted Determination for Legislative Consideration
No Mandate, No Loss of Property Tax Revenue Would Result	Submitted Determination for Legislative Consideration
No Mandate, No Loss of Property Tax Revenue Would Result	Submitted Determination for Legislative Consideration
No Mandate, No Adverse Local Fiscal Impact	Not Applicable
No Mandate, Pre-1981	Not Applicable
No Mandate, Pre-1981	Not Applicable
No Mandate, Federal Requirement	Not Applicable
No Mandate, Federal Requirement	Not Applicable

LAW, RULE, REGULATION,
OR LEGISLATION

ISSUE

Federal Tax Reform Act of 1986, Section 89	An Act Preventing Benefits Discrimination and Encouraging Employers to Provide Benefits to Lower Paid Employees
G.L. C.21H, S.5	Testing of Ash for Contaminants at Solid Waste Combustion Facilities
Chapter 697, Section 64, Acts of 1987	An Act Further Regulating Public Employee Retirement in the Commonwealth
Senate No. 113	An Act to Extend Workers' Compensation Coverage to School Employees Where It is Not Provided
Senate No. 631	An Act Providing Nutritionally Balanced Meals to Detainees
Order of the Juvenile Court, Department of the Trial Court of the Commonwealth	Cost of Hiring an Attorney to Prosecute Certain Delinquency Cases Imposed on Municipal Budgets
524 CMR 17.40 (5)	Medical Emergency Elevator Regulations
Chapter 372, Acts of 1984	Massachusetts Water Resources Authority Water and Sewer Rates
527 CMR 9.13 (3)	Requirement That Certain Underground Storage Tanks be Tightness Tested Periodically for Leaks
House No. 479	The Massachusetts Department of Transportation's Policy on the Use of Private Contractors for Construction of State Highways
House No. 3433	The Massachusetts Department of Transportation's Policy on the Use of Private Contractors for Construction of State Highways
Article 30, State Board of Building Regulations and Standards	The Massachusetts Department of Transportation's Policy on the Use of Private Contractors for Construction of State Highways
110 CMR 64.00	The Massachusetts Department of Transportation's Policy on the Use of Private Contractors for Construction of State Highways
G.L. C.90A, S.14-17	The Massachusetts Department of Transportation's Policy on the Use of Private Contractors for Construction of State Highways
110 CMR 7.10	The Massachusetts Department of Transportation's Policy on the Use of Private Contractors for Construction of State Highways
Advisory Board on Emergency Response Act (ABERA)	The Massachusetts Department of Transportation's Policy on the Use of Private Contractors for Construction of State Highways

RESULT

No Mandate,
Federal Requirement

No Mandate, Indirect Costs Imposed
on Privately Owned Incinerators

No Mandate, Issue Involves
Article 115 of the State Constitution

No Mandate, Issue Involves
Article 115 of the State Constitution

Constitutional Requirement,
Cost of Recordkeeping May Impose Mandate

No Mandate,
No Local Fiscal Impact

No Mandate, Exemption for Municipal
Compliance Available

No Mandate, MWRA Insulated
from Proposition 2 1/2

No Mandate, Regulations Not Applicable
to Certain Aged Tanks

FUNDING

Not Applicable

Not Applicable

Not Applicable

Not Applicable

Submitted Comments to Committee on
Human Services and Elderly Affairs

Not Applicable

Not Applicable

Not Applicable

Not Applicable

LAW, RULE, REGULATION, OR LEGISLATION	ISSUES	RESULTS
Federal Tax Reform Act of 1986, Section 69	Amended existing law to allow for a new type of investment	Investment in new equipment
C.L.C. 111, 112	Amended existing law to allow for a new type of investment	Investment in new equipment
Chapter 111, Section 11, Act of 1987	Amended existing law to allow for a new type of investment	Investment in new equipment
Senate No. 111	Amended existing law to allow for a new type of investment	Investment in new equipment
Senate No. 111	Amended existing law to allow for a new type of investment	Investment in new equipment
Order of the Juvenile Court, Department of the Trial Court of the Commonwealth	Amended existing law to allow for a new type of investment	Investment in new equipment
554 CMR 11.05 (3)	Amended existing law to allow for a new type of investment	Investment in new equipment
Chapter 111, Act of 1984	Amended existing law to allow for a new type of investment	Investment in new equipment
527 CMR 11.05 (3)	Amended existing law to allow for a new type of investment	Investment in new equipment